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China Report

ECONOMIC AFFAIRS



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25 JUNE 1986

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PROVINCIAL AFFAIRS

ANHUI GOVERNOR PRESENTS SEVENTH 5-YEAR PLAN REPORT

OW021101 Hefei ANHUI RIBAO in Chinese 30 Apr 86 p 1

[Report by Anhui Governor Wang Yuzhao: "Hold on to Reform, Unroll Another Great Project, and Strive To Achieve Anhui's Seventh 5-Year Plan"--Delivered at the Fourth Session of the Sixth Anhui People's Congress on 21 April 1986; passages within slantlines published in boldface]

[Text] Deputies:

The just-concluded Fourth Session of the Sixth NPC is of great historical significance. The series of documents adopted at the meeting, including Premier Zhao Ziyang's "Report on the Seventh 5-Year Plan," are important documents that guide China's socialist modernization drive. We firmly support their guidance and will earnestly adhere to it according to Anhui's actual situation. On behalf of the provincial people's government, I should now like to report to you about the work of the provincial government and Anhui's Seventh 5-Year Plan.

I. A Review of the Work of the Past 5 Years

Thanks to implementing the series of principles and policies set forth by the party Central Committee and the State Council, giving top priority to reform, and constantly accelerating the pace of enlivening the local economy and opening to the outside world during the last 5 years, we have consolidated and developed political unity and stability, achieved sustained, steady, and coordinated economic growth, and basically accomplished the mission of achieving a fundamental improvement in our financial and economic situation, thus creating the most dynamic economic growth in Anhui since the republic's founding.

/The economy has been growing fairly rapidly./ In 1985, Anhui's gross social output was 58,107 million yuan, an increase of 92.9 percent over 1980, or an annual growth of 14 percent; the total industrial and agricultural output was 40.58 billion yuan, an increase of 87.5 percent over 1980, or an annual growth of 13.4 percent, overfulfilling the target prescribed in the Sixth 5-Year Plan by 29.2 percent; the people's income was 27,391 million yuan, an increase of 76.8 percent over 1980, or an annual increase of 12.1 percent; the revenue was 3,016 million yuan, an increase of 48.6 percent over 1980, or an annual growth

of 8.2 percent; and the total of consumer goods retailed reached 14.38 billion yuan, an increase of 90.8 percent over 1980, or an annual growth of 13.8 percent. All major products registered significant increases in 1985. Among them, grain output reached 21,679, 600 metric tons, or an annual increase of 8.3 percent; steel output was 1,943,000 metric tons, or an annual increase of 7.4 percent; coal output was 29.05 million metric tons, or an annual increase of 3.8 percent; and electricity output was 13.49 billion kWh, or an annual increase of 7 percent. In short, all the major targets set in the Sixth 5-Year Plan were overfulfilled.

/A new breakthrough was achieved in revenue./ During the Sixth 5-Year Plan, Anhui's total revenue was 11,956 million yuan, an increase of 1,935 million yuan, or 19.3 percent, over that of the Fifth 5-Year Plan. A new breakthrough was achieved during the last 2 years. The new increase of 200 million yuan in 1984 ended the stagnation of the previous several years; an even greater success was achieved in 1985. The net increase of 580 million yuan in that year was a record high.

/The proportion of development between major sectors became more coordinated./ Gross agricultural output in 1985 was 15.14 billion yuan (not including the village industry output). Its proportion of the total gross industrial and agricultural output dropped to 37.3 percent in 1985 from 41.1 in 1980; gross industrial output in 1985 was 25.45 billion yuan (including village industry), and the proportion of the gross industrial and agricultural output rose to 62.7 in 1985 from 58.9 percent in 1980. In the agricultural sector, the proportion of output of forestry, animal husbandry, sideline production and fishery rose from 27.5 percent in 1980 to 38.1 percent in 1985. In the industrial sector, the proportion between light industry and heavy industry became increasingly rational. New headway was made in the development of tertiary industry.

/The material and technological foundation was reinforced./ During the 1980-85 period, Anhui invested 12,667 million yuan in fixed assets, or an increase of 73.5 percent over that during the previous 5-year period. Of this investment, 88.63 billion yuan was spent on capital construction projects, or an increase of 40.7 percent. During the 5-year period, 21 large and medium-size projects were completed or partially completed. The generating capacity of the Huaibei and Luohe power plants was expanded by 700,000 kilowatts. The operation of the five coal shafts--Liuqiao No 1, Qianling, Zhuxianzhuang, Panji No 1, and Linhuan--expanded coal mining capacity by 6.9 million metric tons. Construction of the Ningguo cement plant was basically completed. The Baimashan cement plant was commissioned for production. The new Cihuai waterway began to yield results. Successful results were achieved in the construction of eight commercial food grain bases. During the 1980-85 period, Anhui spent 3,807 million yuan on reconstruction projects. That was 3.8 times higher than the amount spent during the preceding 5-year period, and because of the completion of over 3,500 projects, economic growth had even greater potential.

/Science, technology, education, and other social undertakings showed vigorous development./ During the Sixth 5-Year Plan, the province spent 2.37 billion yuan for operating expenses for science, technology, and education projects.

This was 75.3 percent more than such expenses during the Fifth 5-Year Plan and accounted for 22.7 percent of the total financial expenditure compared to 15.9 percent for the preceding period. During these 5 years, fruitful results were achieved in 1,800 major projects of science and technology, or 1.5 times as many as the projects completed during the Fifth 5-Year Plan. More than 200 projects received awards from the state, ministries, or province. Regarding the development of education, the target set in the Sixth 5-Year Plan was overfulfilled. During these 5 years, 71,600 new students were admitted to institutions of higher learning for regular and specialized studies, and some 37,900 students graduated from universities, specialized colleges, and graduate schools and went to work on various fronts. This period also witnessed 16 new institutions of higher learning and 122 new urgently needed specialized courses established in the province. At the same time, various types of adult education developed vigorously, and intensive progress was made in restructuring secondary education. Among school-age children, the percentage of those actually attending schools rose from 88.9 percent in 1980 to 94 percent in 1985. Remarkable achievements were also scored in the work of culture, public health, athletics, broadcasting, television, journalism, publications, civil affairs, foreign affairs, tourism, nationalities affairs, religious affairs, family planning, the people's air defense work, labor and employment, and environmental protection.

/The people's living standards continue to improve./ In 1985 the peasants' per capita net income in the province averaged 369 yuan, double the 1980 figure. The annual growth rate for this period was 15 percent. Food and clothing problems were resolved in most localities, while a transition to a comparatively well-off standard of living started in certain localities. During these 5 years, some 159 million yuan were made available for helping the poor, and work was done to provide assistance to 499,800 poor and difficulty-ridden households. As a result, 173,200 households were helped out of poverty; among them over 16,500 became specialized or well-to-do households. In 1985, the total amount of wages for staff members and workers of units owned by the whole people showed a 64.2 percent increase over 1980, and the average annual wage of an individual reached 1,044 yuan, an increase of 41.3 percent. With their better income, the consumption level of urban and rural residents continued to rise. During these 5 years, housing with a total floor space of 12.2 million square meters was built for staff members and workers, and the average housing space for each urban resident increased by 1.2 square meters. During the Sixth 5-Year Plan, 700,000 jobless youth were provided employment, and the unemployment rate of youth in cities and towns dropped to about 2 percent. By the end of 1985, savings deposits of urban and rural residents amounted to 3,843 million yuan, up 3.4 times compared with 1980.

During the Sixth 5-Year Plan, our province's economy improved year after year. In particular, the achievements were remarkable in 1985. In that year, the total product of society rose by 20.3 percent compared with 1984. Of this, the total output value of industry increased 20.8 percent, that of agriculture 18 percent, the volume of retail sales of commodities 20.3 percent, the total amount of imports and exports 47.7 percent, and financial revenue 23.7 percent. Under the state's unified planning, the task of achieving initial success in reforming the economic structure was completed for the most part.

The achievements that our province has made in economic construction are attributable to the implementation of the line, principles, and policies formulated since the 3d Plenary Session of the 11th CPC Central Committee and to the joint efforts made by the broad masses of workers, peasants, intellectuals, cadres, PLA commanders and fighters, public security cadres and police, and people of all strata in the province. Of the experiences gained during the Sixth 5-Year Plan, many are worth summing up. The following are important ones:

1. /Make unremitting efforts to grasp reform in order to develop social productive forces/

Since the 3d Plenary Session of the 11th CPC Central Committee, we have, starting from agricultural reform, promoted the output-related system of contracted responsibility on household basis, developed various forms of the cooperative economy, readjusted the production structure in rural areas in a timely way, reformed the system of unified and assigned purchase of farm products, and have thereby speeded up commodity development in rural areas. On the basis of rural reform, we have conscientiously carried out "The Decision of the CPC Central Committee on Reform of the Economic Structure" and embarked on an extensive reform of the economic system centering on urban reform. In addition, we have simplified the administrative structure and delegated more power to lower levels; worked to invigorate enterprises; taken steps to reform the planning, financial, and circulation systems; and straightened out the international relations of enterprises and their economic relations with other units. Price reform has been smoothly carried out, and we have made an important step forward in reforming the wage system. We have also taken extensive measures to reform the county-level economic system, which has whipped up the enthusiasm, enhanced the sense of responsibility, and unleashed the creativity of various economic sectors. In addition, we have moved to restructure the educational and scientific and technological research systems, and are deepening our efforts in the field. Currently, our reform is being made to cover wider areas, and the reform drive in all fields is being combined into a unified force which is giving impetus to the development of Anhui's economy and other undertakings. Reform has brought profound changes to the economic life of Anhui's people. We have paid greater attention to improving economic results instead of devoting all our efforts to increasing output value, have tried to use economic means and law on administrative and management work instead of totally relying on using administrative power, and our economic system has evolved from a closed type into an open type. In short, we have expanded our reform into a wider area and have made good progress in this field.

2. /Make unremitting efforts to grasp agriculture and enliven the rural economy/

Those who work in agriculture in Anhui account for over 80 percent of the province's total population. Output value of agriculture-based industry accounts for some 80 percent of the total light industrial output value, and agricultural products and processed agricultural products account for more than 85 percent of the province's total exports. Based on these facts, we laid special stress on agricultural development at a time when the rural economy was in a

difficult situation and agriculture became a stumbling block of economic development, and we kept ourselves sober-minded and did not relax our efforts in agricultural development even when we enjoyed a boom in commodity development in rural areas. We attached importance to agricultural development when we were short of grain and industrial raw materials. We also regarded agricultural development as a strategically important job and attached much importance to it even at a time when grain and other agricultural and sideline products were relatively abundant, and when we began to readjust the rural production structure. In guiding commodity production in rural areas, we did not totally depend on giving orders. Instead, we showed respect for the wish of the masses and regularly studied new developments in this field in order to solve new problems that may arise. By doing so, we have managed to prevent our rural economy from drastic changes. Facts in the last few years have shown that our attention to agricultural industry has stabilized our agricultural development, which has played a key role in prospering and stabilizing the entire economy of Anhui Province.

3. /Make unremitting efforts to invigorate enterprises and strive for technological progress/

In aiming at invigorating enterprises, raising their technological level, and improving their economic results, we have delegated more powers to enterprises and promoted the factory manager responsibility system and various forms of other responsibility systems. In addition, we have allowed establishment of small industrial and commercial enterprises and offered them incentives. As of now, 167 provincial-level enterprises have been handed over to lower authorities, and 70 percent of small commercial enterprises have been reorganized, leased out, transferred to collectives, or have switched to other trades. After simplifying the administrative structure and delegating power to lower levels, administrative departments at various levels have provided a better service to enterprises in an effort to create a better production and business environment for them. In invigorating enterprises, we have done away with the old idea of establishing new facilities for every production project. Instead, we paid more attention to improving existing enterprises' facilities and offered them preferential treatment in granting loans and levying taxes. By doing so, we may expect that reform will yield better results. We have also tried to better utilize and promote the use of imported technologies in order to improve the results of technological transformation. The 1985 overall productivity of public industrial enterprises operating on independent accounting systems increased by 33 percent over 1980, and taxes and profits generated from every 100 yuan of capital increased by 3.82 percent.

4. /Make unremitting efforts to develop village and town enterprises and step up the construction of small cities and towns/

Having undergone a process of exploration on the matter of village and town enterprise development, we eventually proceeded from Anhui's actual conditions by seriously summing up the fine experiences created by the public, establishing the guiding ideology of making thousands of households the fountainhead for developing the forces of village and town enterprises, vigorously developing household and joint household-run enterprises, and initially finding a new way to develop village and town enterprises in economically backward areas.

The total output value of village and town enterprises in 1984 was twice that of 1983, and there was an 81 percent increase over 1984 output in 1985. The village and town enterprises' great strides have become the mainstay of Anhui's rural economy. In developing a specialized, commodity, and modernized rural economy, the function of small cities and towns as rural commodity production bases has become increasingly evident. Tailoring our guidance to prevailing circumstances, we focused on speeding up the construction of small cities and towns as a means of enlivening the rural economy; convened a provincial meeting on the work of small cities and towns; drew up a series of policies aimed at encouraging peasants to provide for their own grain rations by working, doing business, and running service trades in town; and a number of farm and trade fairs, thereby creating fine conditions for the development of small cities and towns.

5. /Make unremitting efforts to boost income and promote a turn for the better in the financial situation/

In financial work, we paid attention to the proper handling of three relations. The first relation is between taking and giving, that is, taking as well as giving, with giving preceding taking, and "raising a hen to lay eggs." In order to prop up economic development at the county level, Anhui has appropriated 20 million yuan in each of the past 2 years for helping with the development of production in 21 counties on a successive and priority basis, and for building up financial resources. We also relegated power and surrendered profits to, and provided policies for 22 counties experimenting with comprehensive structural reforms in the past year, thereby increasing financial income at the county level and lessening Anhui's financial burden.

The second relation is between exclusive financial management and common financial management. In the past, under the unified arrangement for financial income and outlay, a provincial department was in charge of collecting financial receipts while the rest were financially dependent on that department, resulting in financial difficulty. During the Sixth 5-Year Plan, we started from structural reforms by implementing the financial contract system, encouraging the practice of "eating separately," and arousing enthusiasm at all levels for managing their own financial affairs.

The third relation is between tapping and retrenching financial resources. While vigorously boosting income, we also promoted careful budgeting and frugality, converted a portion of free allocations into loans, and urged departments using the funds to improve results in utilizing money.

6. /Make unremitting efforts to open to the outside world and vigorously develop lateral economic ties/

A shortage of funds and a low technological level have always been the restraining factors in Anhui's economic development. By opening to the outside world and enlivening the domestic economy, we forged extensive economic ties at home and abroad and opened up the path for accumulating funds and upgrading the technological level. During the Sixth 5-Year Plan, Anhui successively forged friendly ties with two foreign states and established a friendly economic and trade partnership with three other states. Four cities cemented

friendly city ties with four foreign counterparts. In addition, economic, trade, and technological exchanges were developed with over 90 countries and regions. Foreign funds totaling \$187 million were used, 492 technological deals were introduced, and \$258 million worth of foreign exchange was utilized. The total export volume was \$307 million in 1985. Anhui has now forged various forms of economic and technological cooperative ties with 23 provinces, municipalities, and autonomous regions in China. Since 1982, we have attracted one billion yuan or so of funds and developed over 2,100 cooperative projects. The scope of economic and technological cooperation has become increasingly extensive, moving gradually from cooperation in supplying materials and funds to technological cooperation and personnel exchanges; from simple association to multiple and multilayer association; from stressing the links with economically developed coastal regions to cementing ties with all places in China, including northern, northeastern, and northwestern China; and from stressing cooperation in production to establishing cooperation in circulation. Consequently, the whole economy was transformed from a closed type to an open type.

7. /Make unremitting efforts to promote circulation and develop the socialist commodity economy/

Circulation has long been a weak link. Under the influence of traditional ideas of natural economy [zi ran jing ji 5261 3544 4842 3444], and products economy [chan pin jing ji 3834 0756 4842 3444], the market was artificially cut apart and circulation was restricted, thus isolating us from the outside world. In recent years, we have come to realize that a fully developed commodity economy is the only way which leads to the development of society's economy and a prerequisite for modernizing China's economy. Cadres at all levels have raised their consciousness in developing the commodity economy, changed their habitual practice of stressing production but neglecting circulation, broken free from isolation, opened the door wide, striven to dredge and readjust the circulation channels, and established a "three many's and one less" [san do yi shao 0005 1122 0001 1421] circulation system. By putting more commodities on the market, speeding up circulation, and invigorating the market, the gap between supply and demand has narrowed, the impact of circulation on production has been magnified, and the entire economy has been invigorated. At the same time the circulation system is reformed and the socialist commodity market developed, the capital, technological, talent, information, and material resources market is also developing in a planned way, and a market system has been gradually established. The sustained agricultural and industrial development and increases in financial revenue in recent years are all directly related to the increasingly important role of circulation.

8. /Make unremitting efforts to promote spiritual civilization construction, bring about a fundamental change for the better in social practices/

While carrying out reform, we have always upheld the four basic principles, continuously pioneered in new methods for doing ideological and political work in the new period, promoted education in the current situation and policy with a definite goal, unfolded the "five stresses, four beauties, and three loves" activities, and encouraged new socialist morality and practices. In the rural areas, we have used the "cultural centers" as hubs to sponsor colorful mass literary and recreation activities and propagate advanced local deeds and

personages, thereby conducting education in the course of recreation. In the cities, we start with building civilized cities as a beginning with a view to building civilized units by the various professions and trades. At the same time, by widely promoting propaganda and education in the legal system, striking at criminal and economic criminal activities, strengthening public security with comprehensive planning, and concentrating our efforts on major cases, we have brought about changes for the better in both social practices and public order.

Over the past 5 years, we still have had certain shortcomings, made mistakes, and encouraged many problems and difficulties in our work.

In the area of reform, the main problem is the lack of coordination and overall planning. Besides, the achievements in reform are also somewhat lopsided. Some local departments have been sluggish in actions and reluctant to delegate power to the enterprises. There are still many problems and resistance in opening up the small state-run industrial and commercial enterprises to the public. During the transition from the old to the new system, we have failed both in ideology and in promptly adopting new methods in dealing with the continuously emerging new situations and problems. Our measures for macrocontrol are imperfect. The economic overheating at the end of 1984 also has had an adverse impact on our province. This was particularly reflected in the blind expansion of capital construction projects, which resulted in tension in the province's economic life.

In the area of economic construction, the gap between total social demand and supply is still wide. The supply of capital, energy, and raw and processed materials has been insufficient. Financial expenditures have grown at a pace that is too fast. Subsidies have increased. The quality of some enterprises are poor, their technology and equipment backward, management level low, ability to assimilate weak, quality of products poor, consumption high, and their economic results poor. The ability of agriculture to resist natural disasters is still relatively weak. Some localities have tended to neglect grain production and have blindly grown industrial crops. The people's livelihood in some mountain areas, old revolutionary bases, and areas hit by natural disasters is still relatively difficult. Some localities have overburdened the masses and enterprises with unauthorized price increases, apportioning of funds, or levying of fees. At one time, the prices of vegetables and nonstaple foodstuff in some cities went up by too big a margin, and residents there were very angry.

In building spiritual civilization, ideological and political work is still our weak link. In some departments and units, the unhealthy practice of issuing unauthorized bonuses, material objects, and subsidies has not been entirely stamped out. In many leading organs, the problem of bureaucracy, shifting responsibilities to others, and wrangling is still serious. They vie with one another to replace sedans, indiscriminately send personnel abroad, and squander public funds on tourist trips. Their cadres engage in business for profit and indulge in extravagances and waste. Some of them even take graft, accept bribes, and abuse their power for personal gains.

All this has seriously affected the smooth progress of our reform and economic construction and should merit our serious attention. We must take effective measures to solve this problem.

II. /The Basic Tasks and Goals of Struggle During the "Seventh 5-Year Plan"/

Comrade Hu Yaobang recently said: In the next 5 years, we must do still better than in the previous 5 years. Based on the arrangements of the state "Seventh 5-Year Plan," the provincial government has initially drafted a Seventh 5-Year Plan for our province's economic and social development. This draft plan is hereby submitted for examination by this meeting. Now, I am going to make some necessary explanations concerning the basic tasks, goals of struggle, and major projects of this "Seventh 5-Year Plan."

The Seventh 5-Year Plan covers a crucial period in the economic the social development of our province. Under this plan, our province not only must undergo a fundamental transition from the old economic model to a new one but must also lay a firm material and technological foundation for realization of the strategic goals by the end of the century. To this end, the provincial government has put forward the basic tasks for the 1986-90 period as follows:

First, continuously implement the "decision of the CPC Central Committee on Economic Structural Reform" and unswervingly put reform in first place. Proceeding from Anhui's real situation, make the reform and construction cooperate with and adapting to each other, and strive to lay an initial foundation for the new socialist economic system within the next 5, or perhaps a few more, years.

Second, with raising economic results as the central theme, organize production and construction, resolutely expand reproduction, vigorously promote technological progress, exercise control over the total investments in fixed assets, and stress the construction of key projects in preparation for economic revitalization in the 1990's.

Third, vigorously developing scientific and educational undertakings, accelerate the development of intellectual resources and training of professional people, and strive to raise the people's scientific and cultural level, thereby building our economic growth on the foundation of scientific and technological progress.

Fourth, when production has been developed and economic results raised, further improve the people's livelihood in both the countryside and the cities, enable a majority of the people to begin a transition from having enough to eat and wear to a stage of being comparatively well-off, and accelerate the pace of combating poverty and making the people well-off.

Fifth, while vigorously building a material civilization, strengthen the building of socialist spiritual civilization. Inspire the whole society with a positive, onward, and enterprising spirit, promote the development of various cultural undertakings, raise the people's level of knowledge, and simultaneously propel the two civilizations forward.

In view of the above-mentioned tasks, our province's draft "Seventh 5-Year Plan" stipulates that by 1990, on the premise of continued improvement in economic results, the province's total industrial and agricultural output value should increase 55.2 percent over 1985 to reach 63 billion yuan, of which 20.5 billion will be in total agricultural output, an increase of 35.5 percent (or, including output from village-run industrial plants, an increase of 48.1 percent), and 42.5 billion will be in industrial output, increasing 67 percent (or, excluding the output from village-run industrial plants, an increase of 61.1 percent). The GNP will be 47.5 billion yuan, an increase of 50.8 percent over 1985. Total national income will be 40.2 billion yuan, an increase of 46.7 percent. Financial revenue will increase from 4.5 to 5 billion yuan, an increase of 49.5 to 66.1 percent. Total commodity retail sales will be 23.2 billion yuan, an increase of 61.3 percent. Total foreign trade will be \$600 million, an increase of 95.5 percent.

To ensure fulfillment of the "Seventh 5-Year Plan," it is necessary to do down-to-earth work in 10 areas as follows:

1. /Maintaining a Modest Economic Growth Rate and a Proper Investment Scale; Readjusting the Investment Structure; and Promoting Sustained, Steady, and Coordinated Development of the Provincial Economy Marked by High Efficiency/

After striking an overall balance in accordance with the needs and possibilities of Anhui's economic and social development, the draft Seventh 5-Year Plan provides for an average yearly increase of 9.2 percent of the province's total industrial and agricultural output value growing at an average annual rate of 6.3 percent (8.2 percent if village-run industry is included) and the total industrial output value rising at an average annual rate of 10.8 percent (10 percent if the village-run industry is excluded). The total national product value is projected to increase at an average rate of 8.6 percent annually. These growth rates are somewhat lower than the actual growth rates achieved during the Sixth 5-Year Plan. The primary consideration is that the Seventh 5-Year Plan is a crucial period of reform requiring a fairly relaxed economic and social environment to ensure smoother progress in reform. Another consideration is the need to consolidate economic growth by drawing more attention from all quarters to the effort to improve product quality and economic efficiency. However, the projected growth rate of Anhui's total industrial and agricultural output value during the Seventh 5-Year Plan is still higher than the nation's annual increase of 6.7 percent. Given Anhui's relative economic backwardness and its many advantages and vast potential for development, and through an overall balance of its financial and material resources, it has been determined that the above relatively higher economic growth rate is appropriate, highly feasible, and attainable through hard work.

In working out the scheme for investment in fixed assets during the Seventh 5-Year Plan, we have conducted repetitious studies and come to recognize that:

1. It is necessary to adhere to the principle of acting according to our abilities. Efforts should be made to seek as much state investment as possible in tapping and utilizing Anhui's natural resources. According to preliminary statistics, the total 5-year investment in projects directly under the central authorities, or directly supported by the central authorities, or jointly

financed by the central authorities, amounts to 5.66 billion yuan. After making all possible estimates and repeatedly balancing financial and material resources, investment in the capital construction of local units owned by the people has been initially set at 6.27 billion yuan, up 69 percent from the Sixth 5-Year Plan in real terms. Such an arrangement should meet the needs of economic growth on the whole. 2. It is necessary to ensure the construction of key projects. A total of 46 large and medium-size capital construction projects have been incorporated into the Seventh 5-Year Plan, including 25 projects related to the central authorities and 21 local projects. There are 21 above-quota technical transformation projects in the plan, including five projects related to the central authorities and 16 local projects. These projects are vital to ensuring a coordinated development of Anhui's economy and increasing its reserve strength. Accordingly, it is necessary to carefully organize efforts to carry out the work, ensure project quality, and complete the tasks on schedule. 3. It is necessary to readjust the local investment structure and improve investment returns. In readjusting the investment structure of light and heavy industries, priority should be given to ensuring the completion of projects which require small investment and shorter time limits and which can yield quick results, as well as projects that are technologically advanced, economically efficient, and capable of earning foreign exchange via export. Light and textile industries are the main parts of such projects. It is necessary to readjust the investment structure of productive and non-productive construction, with a proper reduction of the investment in non-productive projects, and to readjust the investment structure of capital construction and technical transformation. Initially planned for alteration during the Seventh 5-Year Plan is an investment amount of 4.289 billion yuan, accounting for over 40 percent of the investment in local fixed assets.

2. /Continue to Consider Agriculture the Foundation and Thoroughly Restructure Rural Production in an Effort to Rejuvenate the Rural Economy/

The general objective in restructuring rural production is to build a composite structure in which all forms of production will develop in a coordinated and harmonious manner, with agriculture as the foundation, so that such production essentials as resources, capital, labor service, and technical know how can be most effectively combined; a unity of economic, ecological, and social benefits can be achieved; an upward trend in rural economic development can be gradually achieved; and the peasants can become affluent more quickly. In crop farming, we must attach great importance to food grain production. On the basis of achieving a higher per-unit yield, we should maintain a steady increase in food grain, increase its variety, and improve its quality. According to the draft Seventh 5-Year Plan, food grain output in 1990 should reach 26 million metric tons, or 4.32 million metric tons higher than that of 1985, representing an average increase of 864,000 metric tons annually. Meanwhile, we should take positive steps to develop economic crops in accordance with market needs and natural conditions. In the agricultural sector as a whole. We should expedite the developemnt of animal husbandry, aquatic production, aquaculture, and forestry, and continue to exert efforts to expand their proportion in agricultural production. We should encourage the masses to plant trees, especially economically valuable trees, and pay attention to adjusting the tree varieties. In promoting the rural economy, we should help our rural enterprises achieve even greater growth. Developing the rural enterprises is the only way to re-

juvenate the rural economy, and integrate cities and countryside and build a socialist society with distinctive Chinese characteristics. In developing rural enterprises during the Seventh 5-Year Plan period, we should continue to stress operation by one or several households. Attention should also be directed to consolidating, improving, and developing the mainstay enterprises in the rural areas so that the "six wheels" [liu ge lun zi 0362 0020 6544 1311] will revolve at the same time. We should give priority to processing of agricultural and sideline products, the development and multipurpose use of construction materials and mineral resources, and the development of tertiary industry. In a planned manner, cities should market their goods in the rural areas and transfer their technology and proficient personnel there. We should take full advantage of the demarcation of agricultural zones and, in a way appropriate to local conditions, set up complexes or small economic zones engaged in specialized production with each having its own distinctive characteristics and priorities, so that each village or township will have its special product or products, and so that different types of specialized markets can be developed in the rural areas. Then, with these small economic zones and specialized markets as bases, we should energetically develop socialized and systemized services in the rural areas, and speed up modernization of the rural areas by promoting all forms and all sizes of cooperation and ties. We should intensify the development of small towns so they will become centers of local enterprises and commercial trade, as well as the rural areas' political, economic, cultural and information centers whose organic ties with cities will serve to promote economic cooperation between cities and rural areas.

To consolidate the agricultural foundation, the draft Seventh 5-Year Plan pays special attention to improving the conditions for agricultural production. According to preliminary estimates, approximately 1 billion yuan, or 93.8 percent more than the amount spent during the previous 5-year period, will be spent on agricultural, forestry, irrigation and gas supply projects during the next 5 years. We will continue to consolidate the Tongma and Wuwei embankments along the Chang Jiang; harness the branches of the Huai He; carry out comprehensive development and control of the Chao Hu; complete the auxiliary projects of the Bi-shih-hang irrigation system [built in the area of the Bi He, the Shih He, and the Hangfu He in Anhui]; and improve management of the projects underway in order to improve the flood-control and irrigation capacity of these large rivers and their tributaries. We will continue to improve our soil, set up a number of bases producing quality rice, lean-meat pigs, fast growing and economic timber, famous tea, aquatic products, water fowl, fruits, minglu [2494 4845], and rare medicinal herbs. As the state continues to increase its investment, we should fully mobilize the peasants' initiative, increase accumulations of labor, and enlist the masses' efforts to take precautionary measures against harm by building flood-control and other beneficial public facilities.

During the first 3 years of the 1986-90 period, Anhui will give priority to disseminating 64 projects of agricultural science and technology, organize implementation of the "Spark Plan," help rural enterprises expand their production capacity, develop 10 showcase technologies that yield quick and economical results, and develop 20 showcase production lines to produce complete sets of practical equipment so that new scientific and technological know-how can blossom and yield results in Anhui's rural areas as quickly as possible.

3. /Accelerate Development of the Consumer Goods Industry, Improve the Quality of Products, and Explore Markets Inside and Outside the Province/

To satisfy the people's daily needs, the draft of the Seventh 5-Year Plan calls for a 10.6 percent average annual growth rate for light industry, faster than that of heavy industry, which is set at 9.2 percent. In the development of consumer industry, which is set at 9.2 percent. In the development of consumer industry, emphasis should be laid on those processing operations with farm, sideline, native, and special local products as raw materials and on the production of daily necessities and curable consumer goods to meet the people's needs. With regard to the food industry, continued efforts should be made to develop the production of basic foods, and production of famous and fine-quality wines and other beverages, and high- and medium-grade cigarettes should be stressed. In this connection, work should be done to continue the construction of a number of key enterprises and to upgrade others, including the Gujing Winery, the Mingguang Winery, the breweries in Hefei, Xuancheng, and Bengbu, and the Bengbu Cigarette Plant, in order to expand their production capacities and raise their product quality. In developing the durable consumer goods industry, we should focus our attention on the production of television sets, washing machines, refrigerators, and other electrical appliances. In developing the textile industry, we should make positive efforts to make new and high-grade synthetic, woolen, flax, and silk fabrics. Concerning the garment industry, efforts should be made to accelerate the production of fashionable clothes, children's clothes, sportswear, and work clothes and to increase the production of clothes made of down and leather. Energetic efforts should also be made to develop the manufacture of glassware, chemical products for daily use, furniture, plastic articles, and paper. In addition, we should promote the commercialization of housing in cities and towns and the development of the civil building industry so that it will gradually become one of the new backbone industries in our province.

In developing the consumer goods industry, we should do the following: first, we should increase investment. The draft Seventh 5-Year Plan calls for a total investment in capital construction for light industry, including textile production, of 1.044 billion yuan--a 90.3 percent increase over the Sixth 5-Year Plan--and stipulates that about 40 percent of the investment in upgrading technology and equipment in the province should be devoted to this industry. Second, we should continue to act on the principle of "six priorities" [liu ge you xian 0362 0020 0327 0341]. Third, we should proceed step-by-step with the establishment of production centers and raw material supply centers. Fourth, we should pay great attention to the quality and marketability of our products and go all out to turn out more famous-brand, high-quality products and develop new products and products that can be exported to earn foreign exchange. We should also see to it that our products have a better competitive edge and capture a large market share.

4. /Do Good Work in Energy Supply, Transport and Telecommunications, and Production of Raw and Semifinished Materials, Ensure Well-balanced Economic Development, and See to it that We have the Necessary Reserve Strength/

In our province, the supplies of energy and raw and semifinished materials are quite inadequate in meeting the demands, and transport and telecommunications

are still in a backward state. During the Seventh 5-Year Plan period, we should accelerate the efforts in this regard with particular attention to some aspects of the work. We should do our best to complete the projects planned by the state and try to do more than meet the pre-set targets. At the same time, we should build our own local backbone projects in a planned and step-by-step way by pooling our financial and material resources through various channels as necessary.

Emphasis in developing the energy industry will be placed on electric power. In addition to ensuring the progress of work on the two state projects, namely the second-stage work on the Luohe Power Plant and the construction of the Pingwei Power Plant, we should build seven 125,000-kw generating units to be installed in Hefei, Tongling, Wuhu, and Maanshan, and every effort should be made to put five of them into operation during the Seventh 5-Year Plan. At the same time, we should actively assist various localities in building small hydroelectric power projects and try to make a success of the experimental electrification project in Jinzhai County. We should try to increase our province's annual electric power output to 23 billion kWh by the year 1990, or 72 percent more than 1985. By that time, power output by locally run power plants should reach 3.1 billion kWh, or a threefold increase. Meanwhile, continued efforts should be made to develop the coal industry. During the Seventh 5-Year Plan, we will continue construction work on eight mines and start to build four new ones. Construction of seven of them should be completed during this period. By 1990, the total coal output in our province should be brought to 36.35 million metric tons. Moreover, we should continue to develop energy work in rural areas by popularizing the use of firewood-saving stoves, promoting the production of methane gas, and growing forests to provide firewood. In developing energy work, it is necessary to carry out the principle of attaching importance to both developing new energy sources and economizing on the use of energy. We should see to it that energy equivalent to 4.3 million metric tons will be conserved within 5 years.

During the Seventh 5-Year Plan, we should make a comparatively big development in transport and telecommunications. In railroad construction, we should complete the Wuhu-Yuxikou center, double-track the Huainan Railroad, build the Fuyang-Luohe line, and make all necessary preparations for construction of the Shangqiu-Fuyang and the Xuancheng-Hangzhou lines. In highway construction, we should actively build a south-north highway and an east-west highway. At the same time, we should widen and renovate 18 main highways from Hefei to other prefectures and cities in Anhui. In county and township highway construction, we should emphasize dead-end roads and inaccessible outlying mountain regions. We should improve inland river channels, enhance their navigability, and promote river-sea coordinated transport. We should gradually develop local civil aviation. In telecommunications, we should emphasize expanding or building telephone service in all cities and counties, build the Hefei-Fuyang and the Hefei-Tunxi microwave lines, improve radio and television transmission means, and ensure that postal and telecommunications services are available to all villages.

In major raw and processed materials industry, we should emphasize increasing the production of products in short supply, increasing variety, and improving

quality. The Maanshan Iron and Steel Company should complete all auxiliary projects to bring its overall steel production capability up to 2 million metric tons. It should complete the 400,000 metric-ton high-speed wire rod production line and build a 2,500 cubic-meter blast furnace. After transformation, the Hefei Iron and Steel Company should gradually develop its productive capacity to 500,000 metric tons of iron, 600,000 metric tons of steel, and 500,000 metric tons of rolled steel. We should actively develop industries for the production of building materials, such as cement, plate glass and ceramics for sanitary equipment. We should build the Tongling cement plant, expand the Baimashan cement plant and the Caohu cement plant, and complete a floating method [fu fa 3187 3127] production line at the Bengbu Plate Glass plant. We should build a 50,000 metric-ton acrylonitrile project at the Anqing Petrochemical Plant to enhance our self-sufficiency in raw materials for chemical fiber. All raw and processed materials industries must fully attach importance to comprehensive utilization. We should take a further step to improve geological surveying work and make all necessary preparations for rational development of mineral resources.

5. /Promote Technological Transformation of Existing Enterprises, and Improve Their Management and Quality/

To promote technological transformation of existing enterprises is a strategic task during the Seventh 5-Year Plan. All professions and trades should formulate feasible technological transformation plans and set correct technological policies and development orientations. The emphasis in technological transformation should be placed on key enterprises playing an important role in economic development, enterprises producing export goods, and enterprises producing raw and processed materials or consumer goods in short supply. The machine-building and electronics industries, which supply equipment to the economy, should undertake technological transformation ahead of others. We should pay attention to the development and application of high-tech products, such as micro-computers, optical fibers, and integrated circuits. In technological transformation, we should adhere to the following principles: First, we should concentrate on improving the quality and performance of products, increasing variety and lowering consumption. We should not unduly expand productive capacity, nor should we spend innovation and transformation funds on capital construction projects. Second, we should break the barriers of regions and departments in terms of ownership, break the traditional notion of being "large and all-embracing" or "small but all-embracing," and practice specialized cooperation. Third, we should select proper advanced technology and equipment on the basis of research. Fourth, we should integrate technology with trade, integrate industry with trade, increase software imports, and properly understand and use imported technologies. Fifth, we should set deadlines for transformation projects; for discontinuing the production of products that consume too much energy, are poor in quality, or seriously pollute the environment; and for eliminating backward technologies and equipment. Through the process of technological transformation, the state-run industrial enterprises in our province should by 1990 attain the 1985 level of advanced counterpart enterprises in China or Anhui in terms of the quality and major performances of products, and some of them should reach the world's advanced level of the late 1970's and early 1980's.

During the Seventh 5-Year Plan, we should attach great importance to enterprise operation and management. At present, we have a pretty clear understanding of the technological backwardness of our enterprises, but we usually lack sufficient understanding of the even more severe backwardness of their management. We should pay special attention to improving enterprise management. Enterprises and the departments in charge should accelerate the formulation of plans for advancing to a higher class and becoming advanced enterprises in accordance with the three-class enterprise criteria set by the state, and should work towards their objectives. We should exercise comprehensive quality control step-by-step according to plan, strengthen supervision over the quality of products, and institute and improve rules and regulations on energy and material conservation and on rewards and punishment. We should consolidate and improve the system where the director (manager) assumes full responsibility, and should popularize management experience that has proven effective in the course of reform. We should accelerate the training of full-time workers to improve their general knowledge and technical skills. In particular, we should improve the cadres' political quality, vocational skills, and management ability, and should promote those who possess both political integrity and ability to leading positions through the process of appointment, democratic elections, recommendation, or hiring. We should pay attention to labor protection and ensure safe production. After several years of effort, we should remarkably improve the quality of our enterprises.

6. /Make Great Efforts To Develop the Tertiary Industry and Promote a New Pattern of Economic Development/

The rise and development of tertiary industries is an inevitable trend resulting from social progress and enhanced labor productivity, as well as an important feature of the modern economy. During the Seventh 5-Year Plan, we should pay attention to the development of tertiary industry and should consider it a strategic measure to rationalize the production structure of our province. In the next few years, we should accelerate the development of transport, telecommunications, banking, insurance, commerce, tourism, and information, services in consideration of the reality of our province. At the same time, we should learn and use as much as possible new achievements of the world's technological revolution, and should properly develop some new departments of the tertiary industry.

We should attach great importance to commodity circulation, develop the socialist commodity market, further improve the wholesale commerce system, and run well various trade centers and specialized markets. We should actively experiment with new commercial forms--such as agriculture-industry-commerce, agriculture-commerce, and industry-commerce associations, and associations of commercial firms. We should encourage further the development of collective commerce, cooperative commerce, and individual commerce, and should gradually form an open, multi-sector, multi-channel urban and rural commodity circulation network in which state commerce and supply and marketing cooperatives play a leading role, operations are diversified, and there are fewer intermediate links. We should continue to develop various service trades that are necessary to the people's livelihood--such as barber shops, public bath-houses, repairing services, restaurants, and hotels--in order to convenience the livelihood of urban and rural people. At the same time, we should open up and build, step-by-step, markets for means of production, funds, technology, and information, and should promote the rational circulation of labor.

Tourism is an important economic sector. Our province has abundant resources for tourism suitable for exploitation. We should treat the development of tourism as a priority item in Anhui's economic development strategy, just as we treat industry and agriculture, putting them on our daily agenda and providing them with necessary support in funds, materials, and manpower. At the same time, we should reform the tourism management system to meet the needs of tourism development. In the next 5 years, we should concentrate on building a Huangshan-Jiuhuashan-Hefei tourism route. We should seriously develop the key tourist attractions of "two mountains and one lake" (Huangshan, Jiuhuashan, and Taipinghu). At the same time, all localities should build their own tourist spots with distinctive local features. We should gradually develop the tourism resources in central and northern Anhui, and should form a tourism network running throughout the province. It is necessary to build necessary basic facilities in support of tourism, and improve restaurant, hotel, transport, and recreational facilities in order to increase income and earn more foreign exchange.

It is necessary to further relax policy restrictions and institute the policy of pooling the efforts of the state, the collective, and the individual in promoting development of the entire tertiary industry. Preferential treatment in matters concerning prices, investment, and distribution should be adopted in light of the circumstances. Departments at all levels should concern themselves with and help and support the development of tertiary industry and create favorable social conditions for its growth. It is necessary to strengthen the training of managerial and specialized personnel to upgrade their standards. Great efforts should be made to make tertiary industry meet the basic needs of production and the people during the Seventh 5-Year Plan. By 1990, the industry's output value should account for 23 percent of Anhui's total gross product, up from 19 percent in 1985.

7. Give Strategic Importance to Science and Technology and Education, and Accelerate the Development of Science and Technology and the Intellectual Resources

Scientific and technological progress constitutes the very source of sustained economic growth in our province. It is necessary to increase our input in science and technology and make scientific and technological progress an important criterion in evaluating the performance of our enterprises, departments, and localities. Research departments and college research institutes should orient their work to economic construction and accelerate the application of their research results. It is necessary to gradually establish and expand the technology market and promote the transformation of science and technology into productive forces through remunerative transfers and joint development. It is necessary to organize joint efforts to tackle key scientific and technological problems in Anhui's economic construction and social development, and strive to produce new research results. It is necessary to absorb the fruits of the world's new technological revolution, selectively open a number of new technological fields, and establish, step-by-step, a number of new industries.

The draft Seventh 5-Year Plan provides for increased investment in education. During the 5-year period, our province will allocate from its revenue 1.79 billion yuan for education, an 83.4 percent increase over the Sixth 5-Year Plan. This increase is higher than the national average and far exceeds the increase in Anhui's current revenue. In addition, local government at various levels will increase its education appropriations as much as possible. It is necessary to effectively use education funds and pay attention to investment returns. It is necessary to mobilize all sectors of society to complete all kinds of educational undertakings. Educational institutions of all kinds and at all levels must implement the policy of development in a comprehensive way--morally, intellectually, and physically--raise the quality of education, and bring out qualified personnel. It is necessary to pay close attention to preliminary education and gradually enforce the 9-year compulsory education system. By 1990, primary education should become basically universal in the entire province, and middle-school education should become universal in cities and county towns. It is necessary to vigorously develop vocational technical education, conduct pre-employment training, and gradually bring secondary vocational technical school enrollment to the level of regular high school enrollment. According to the plan, some 289,000 students will graduate from secondary specialized or technical schools in the coming 5-year period, a 30-percent increase over the Sixth 5-Year Plan. It is necessary to tap the potentials of our existing colleges, appropriately renovate and expand some of the colleges, readjust the academic departments and special fields of study, accelerate the development of weak and new academic departments and departments in great demand, and constantly seek to improve teaching qualities. According to the plan, some 57,000 students will graduate from provincial colleges during the coming 5 years, a 50.9 percent increase over the Sixth 5-Year Plan. Some 1,060 students will complete post-graduate studies, a 650-percent increase. Worker education and other types of adult education should be gradually developed through consolidation and improvement. Television education by satellite should become an important means to developing adult education. Under the plan, adult institutions of higher learning will turn out 110,000 specialized personnel, a 420-percent increase over the Sixth 5-Year Plan. Serious efforts should be made to run teachers schools and accelerate the training of teachers in order to gradually build a contingent of teachers who will meet our basic needs in terms of numbers, standards, and specialities.

It is necessary to further implement the policy toward intellectuals and perform good service to them in a down-to-earth manner. Special efforts should be made to improve the working and living conditions of the middle-aged intellectuals so they can concentrate on their work. It is necessary to institute a system of hiring for technical posts so the intellectuals can use what they have learned and fully play an active role in the magnificent cause of the four modernizations and in revitalizing Anhui.

8. /Further Rationalizing Geographical Distribution of the Regional Economy and Integrating Key Construction Projects with Balanced Regional Development/

During the Seventh 5-Year Plan, it is necessary to fully exploit the advantages of various localities and gradually establish economic networks around cities at different levels, of varying dimensions and with distinctive characteristics in order to promote socialized large-scale production and the development of a commodity economy.

In northern Anhui areas, we should exploit the local advantages in agricultural production, the processing industry for agricultural and sideline products, and the availability of energy resources; develop intensified processing work; and attach importance to comprehensive utilization of all resources. During the Seventh 5-Year Plan, we should do a good job in harnessing the main stream of the Huai He, improving soil conditions, building production bases of agricultural products for marketing purposes, and promoting the construction of coal mines, electric power plants, and other key construction projects. At the same time, we should actively develop food industry, village and town enterprises, light and textile industry, and tertiary industry.

The central Anhui areas surrounding Hefei have a relatively good foundation of science and technology and are more advanced in industrial and agricultural production. During the Seventh 5-Year Plan, it is necessary to continue to vigorously develop traditional production, pay attention to adopting new technology and carrying out technical transformation, actively develop appropriate new industries, and promote the development of new industries such as knowledge- and technology-intensive industries manufacturing high-grade consumer goods. We should exploit the advantage of people's higher education and economic progress in the Hefei areas and have the areas assist the development of the surrounding areas.

In areas along the Chang Jiang, we should stress developing steel, nonferrous metal, cement, and other raw materials industries, light and textile industries, ship-building industry, food industry, and agricultural production. We should give full play to the role of the Chang Jiang as a "golden waterway," strengthen economic cooperation with the upper and lower reaches of the river, and expand our opening to the outside world.

In southern Anhui areas, we should first grasp agricultural, forestry, and tea production and at the same time speed up the development of tourism. We should also actively promote industries which use raw materials produced in mountainous areas. In line with the development of industry, agriculture, and tourism, we should also promote the development of transportation, communications and commerce, and the construction of other basic facilities.

During the Seventh 5-Year Plan, an important task in regional economic development is to mobilize people in the old revolutionary base areas in west Anhui, in some mountainous areas of southern Anhui, in old disaster areas along the Chang Jiang, and in floodwater storage areas along the Huai He and whip up their revolutionary spirit to speed up economic construction. In the floodwater storage areas along the Huai He, we should pay attention to harnessing the river, continue to adjust the production structure, and do a good job in village building. We should also take effective measures to improve the people's livelihood. In other areas, we should quicken the pace in improving the people's economic condition and strive to solve the problems of food and clothing within 3 years and eliminate poverty within 5 years. Various departments at all levels should conscientiously implement the requirements set by the central authorities and this province on improving the outlook of poor areas, implement the responsibility system in helping poor people, and support those poor areas with good policies, funds, supplies,

manpower, and technology. The most important thing is to strengthen our efforts to help poverty-stricken areas with science and technology, develop production suitable for operation in poverty-stricken areas, and increase the capability of self-development in those areas.

We should pay attention to land use and work out plans for the preservation of soil fertility, strengthen centralized control of land, set limits for land use, and strictly handle according to the law cases of wanton occupation of farmland by various units and individuals. In addition, we should improve environmental protection work, stress disposing of the "three wastes," and promote an ecological balance.

9. /Continue to expand foreign economic relations, strive to develop lateral economic ties./

During the Seventh 5-Year Plan, we must further expand contacts with foreign countries, strengthen economic and technical cooperation, strive to create good conditions for opening to the outside world, and promote great development of foreign economic relations and trade. First, of all, we must strive to increase exports and earn more foreign exchange. While we improve the quality of export products and increase the rate of fulfilling contracts, we must also continue to expand exports of traditional products, develop exports of machinery and electrical products, and promote processing work with raw material and patterns furnished, compensatory trade, cooperative production, and joint ventures. We must establish in a planned way export commodity production bases and specialized plants (specialized workshops), adopt a policy of encouraging exports, and develop exporting enterprises' enthusiasm for production. It is necessary to improve import work and to strictly control imports of durable consumer goods and ordinary processing equipment which can be produced at home. It is necessary to speed up using foreign funds and expand the scope of importing technology. According to plan, foreign funds to be used in the coming 5 years total \$458 million, an increase of 140 percent over the Sixth 5-Year Plan. Our technology imports will cost \$456 million, an increase of 76.7 percent over the Sixth 5-Year Plan.

Lateral economic ties are requirements for the development of a socialist commodity economy and modern production. Vigorously developing lateral economic ties can create a new superior situation and produce better economic results and social benefits. In this superior situation, advanced enterprises can avail themselves of the opportunity to develop, while backward ones can improve, and some enterprises on the verge of bankruptcy can be brought back to life. During the Seventh 5-Year Plan, it is necessary to create a new situation in promoting associations in the sphere of production, between production and scientific research, and between production and circulation. It is necessary to promote the rational development of resources and rational disposition of productive forces and to improve the structure of industry, enterprises, and technology so as to speed up the birth of a unified socialist market. It is necessary to regard a certain number of famous-brand and good quality products and some large-and medium-sized enterprises as models and to form different types of enterprise groups and colonies step by step. It is necessary to create conditions for the development of lateral economic ties in structure, policy and other aspects.

10. /Further improve urban and rural people's living by developing production and increasing economic results./

During the Seventh 5-Year Plan, our province is in the peak period of a new baby boom. Therefore, it is necessary to continue grasping birth planning well to strictly control population growth. We must keep our province's population around 54 million in 1990. With this requirement in mind, we must strive to solve the question of unemployment and expand the sources of workers' incomes. It is necessary to create more productive jobs in rural areas and organize the surplus labor force to engage in production and create social wealth. In urban areas, it is necessary to make plans to create jobs for 750,000 new unemployed youths within 5 years, including 250,000 jobs in state enterprises, 400,000 jobs in collective enterprises, 50,000 jobs to be created by the youths themselves under guidance, and 50,000 temporary jobs. Thus, the all new labor force grown up during the Seventh 5-Year Plan can receive appropriate placement.

To raise the income and consumption level of rural and urban residents is a major target of the draft Seventh 5-Year Plan. In the year 1990, the per capita net income of peasants in Anhui should reach 520 yuan, topping that of 1985 by 151 yuan and representing an average annual increase of 7.1 percent; the per capita actual income of workers and staff should be 1,213 yuan, rising above 1985 income by 263 yuan and representing an average annual increase of 5 percent. On the basis of increased income, the people's actual consumption level will rise, the consumption structure will improve, and consumer goods will be increasingly varied and colorful.

It is necessary to further improve the people's living conditions and environment, as well as the quality of their life. During the Seventh 5-Year Plan, efforts should be made to step up the construction of the urban infrastructure and public facilities in villages and towns so that the living conditions of ordinary people can be bettered in a planned manner. It is necessary to considerably increase the numbers of commercial and service outlets and strive to open up and expand service areas. Efforts should be made to promote various cultural undertakings in literature, arts, cinema, radio and TV broadcasting, sports, public health, press, publications, libraries, and museums. In 1990, multi-channel TV broadcasting should be received by 80 percent, and multi-station radio broadcasting by 85 percent, of Anhui's population. We should go all out to unfold the patriotic health campaign and promote medical and health undertakings. Within the next 5 years, the number of hospital beds should increase by 10,000 to reach some 94,500. It is necessary to raise the quality of professional physical cultural workers and vigorously launch mass sports activities in order to continuously enhance the physical fitness of the masses. Various social welfare systems should be improved and a new social security system should be introduced step by step.

Fellow deputies:

The fighting goals set in Anhui's draft Seventh 5-Year Plan are gigantic. Successful fulfillment of the Seventh 5-Year Plan will greatly change our province's economic and social outlook, straighten out the relationships

between various economic sectors in general, build up our economic strength markedly, and guide the economic system to basically embark on a new road. Thereafter, we will advance, with full confidence and steady strides, toward the comprehensive vigorous economic growth in the 1990's.

III. /Pay close attention to the work of 1986./

According to the Seventh 5-Year Plan, Anhui's total industrial and agricultural output value of 1986, the plan's first year, should be 45.4 billion yuan, an increase of 11.8 percent over that of 1985. Of that, the agricultural output value should be 16.1 billion yuan, an increase of 6.4 percent (including a 10.8 percent increase in village-run industry); the industrial output value should be 29.3 billion yuan, an increase of 15.1 percent (12.8 percent, if village-run industry is excluded). The financial revenues should reach 3.35 billion yuan (excluding revenues and expenditures for price subsidies), an increase of 11.3 percent. As the 5-year plan depends on our performance in the first 3 years, for which the work in the first year is crucial, a successful job done this year will create favorable conditions for the development in the next 4 years. We must motivate ourselves, make active efforts to overcome difficulties, and advance with steadfast and firm strides. To this end, it is necessary to pay close attention especially to the work in the following fields:

1. /Consolidate, assimilate, replenish, and improve various reform measures./

To give top priority to the reform is a prerequisite for ensuring a comprehensive fulfillment of the Seventh 5-Year Plan. We have relied on the reform in scoring achievements, and will continue to rely on it in making progress. We should resolve problems cropping up in the course of reform through upholding and deepening the reform, and we should by no means go backwards. Current unhealthy practices are not the inevitable results of opening to the outside world and invigorating the domestic economy. On the contrary, they interfere with and undermine opening to the outside world, invigorating the domestic economy, and reform and should be firmly dealt with. The purpose of rectifying unhealthy tendencies is to further facilitate reform and ensure that the opening, the invigoration of the domestic economy, and the reform advance along a wholesome track. Mistakes committed by comrades in the work due to the lack of experience and knowledge in the reform are different from unhealthy practices of exploiting loopholes of the reform. They are problems of two different natures. It is necessary to distinguish and draw a line of demarcation between these two types of problems in order to protect the reformers' initiative and help them draw lessons from the work to ensure reform's steady advance. The work of reform in 1986 is primarily to penetratingly and meticulously consolidate, assimilate, replenish, and improve reform measures while making adequate preparations for bigger strides of reform in the next year and after. The task of reform remains formidable.

Further injecting vitality into enterprises, particularly state-run large-and mid-sized enterprises as well as foreign-exchange earning enterprises, is the key element in reform. We should continuously and seriously implement various stipulations and regulations on enterprise invigoration laid down by the CPC

Central Committee, the State Council, the provincial CPC Committee, and the provincial people's government. Complete decision-making power should be delegated to enterprises; city authorities should not curtail enterprises' power. We should step up supervision over and streamline our administrative departments and reduce the number of unnecessary levels of management. Enterprises should effect thorough internal reforms and improve diverse forms of the economic responsibility system. Some small enterprises owned by the whole people may change to collective or individual ownership.

In addition to consolidating results in pricing and wage reforms, we should assimilate and supplement present reform measures. Last year saw a great stride made in pricing reform. This year we should strive to maintain a basic stability in market prices. Special attention should be paid to urban price work. Regarding the supply of major nonstaple food such as vegetables, meat, poultry, and eggs, we must pay attention to the urban-rural relationship, taking into consideration the interests of the producers, distributors, and consumers, and striving to stabilize price levels. Vegetable growing suburbs should stabilize growing areas, set up plastic sheds to protect vegetables, and subsidize vegetable growing with industrial and commercial taxes. Establishment of second-line and third-line reserve vegetable bases in a systematic manner is also called for. State-run vegetable companies should play the role of main suppliers, do a good job in peak and slack season regulation, and bring down vegetable prices. Except for those of a very few approved articles, prices of industrial goods will not be allowed to go up this year. Plants should try to offset increased production costs because of higher material costs by means of management reform or through improved work efficiency. Supervision on levels of accommodation charges at hotels should be seriously carried out; hotels are forbidden unauthorized increases in accommodation charges. Control, supervision, and inspection of commodity prices should be further strengthened. Pending problems during wage reform in organs and enterprises should be promptly dealt with. Regarding wage reform in enterprises, we should seriously review past work and solve existing problems. We should try to make a smooth linkup between results of wage reform and the economic responsibility system.

We should continuously do a good job in the comprehensive reform of the county-level economic structure; sum up results and experience of comprehensive reform in trial counties; achieve fresh progress in reforming the economic structure and improving the service system; and further perfect and complement reforms. We should continuously expand county-level decision-making power and step up offering specific guidance to county-level economic structural reform. Experience gained in 23 trial counties should be spread throughout the province. Room for maneuver should be left for the counties with regard to price control on sideline agricultural products. Counties should be permitted to proceed from reality and adopt flexible ways. Departments concerned should take the initiative in offering services and guidance to develop the county-level economy; they should refrain from abusing their power to intervene administratively.

Lateral economic ties should be vigorously promoted. Promoting economic benefits and economic reform through lateral economic ties is one of the key

points of this year's reform. In going about lateral economic ties, we should adhere to the principles of voluntary participation, mutual interests, and joint development; attention should be paid to economic and technological capabilities; and instead of a single form of economic cooperation, diverse forms of lateral economic ties should be tried. Overall guidance should be strengthened to prevent blind expansion of the scale of key construction projects and avoid construction duplication. We should especially promote cooperation between enterprises engaging in processing industry and the raw and semi-finished materials industry; ordnance enterprises and civil enterprises; industrial enterprises and scientific research units, universities, colleges; and cooperation between agricultural, industrial, and commercial enterprises. In engaging in regional economic cooperation, we should seek truth from facts, make the best use of the situation; and in accordance with the inherent law of the economy, promote rationalization of the regional economic, industrial, and production structure.

2. /Make every effort to win a bumper harvest this year./

We must be sober-minded and note our agricultural production problems this year. Sustained rain during the autumn sowing season last year forced us to postpone the sowing work. Then, drought was experienced in the ensuing winter and spring. All these seriously affected the growth of wheat and rape. Even though the growing condition of these summer/ripening crops has been improved due to the efforts made in various localities to strengthen field management and the recent timely rain, production is still expected to be less than last year. While continuing to strengthen the late-stage field management for our summer-ripening crops, we should make proper arrangements for the autumn-ripening crops. More early- and middle-season rice, hybrid rice, corn, sweet potatoes, and miscellaneous cereal crops should be grown so that we will have a better autumn harvest to make up for the poor summer harvest. The leadership at all levels should in no way take lightly the unfavorable factors for this year's agricultural production, but they should uphold the idea of combating all disasters to win a bumper harvest and take effective measures against both flood and drought so as to avoid being subject to natural adversities. In other words, every effort should be made to achieve a high agricultural output.

Further efforts should be made to implement the policies contained in Document No 1 issued by the CPC Central Committee this year. We should continue to readjust our production structure according to the principle of "never relaxing in grasping grain production and energetically developing diversified operations." We should rely on science, increase investment, and stir up the peasants' enthusiasm to grow grain crops so as to fulfill the grain/sowing plan. At the same time, various effective measures--such as implementation of certain principles and policies, application of science and technology, and improvement of management--should be adopted to promote the production of cash crops and the development of industry and sideline operations according to market demands. We should take it as a long-term policy to develop industry and sideline operations to support farming and to grow cash crops to supplement grain crops. Through the system of contract purchase, we should "use industry to supplement agriculture" and "use sideline

operations to support agriculture" in an effort to bring about all-round prosperity of our rural economy. This year we should achieve the goal of one steady increase--the steady increase in grain output--and four new breakthroughs--the breakthroughs in the development of animal husbandry and aquatic production, village and town enterprises, forestry, and the flow of commodities.

In addition, we should make a success of the various tasks that serve the needs of agriculture. With the development of the rural commodity economy, many of the above-mentioned tasks cannot be done successfully by a single family or household. This question can only be solved by the development of socialized services. We should step up the development of socialized service organizations and facilities of various types, natures, and sizes and make a success of the various services, including the services before, in the middle of, and after production. Energetic efforts should also be made to guide the peasants to use these service organizations and facilities as a starting point to gradually develop a cooperative system and finally make it perfect. All professions and trades should do their utmost to support agriculture, while agricultural departments are required to reinforce their ties with, and take the initiative to obtain support from, banking, financial, commercial, grain, supply and marketing, chemical industry, and electric power departments. Departments of agricultural science and technology should organize a work force to be sent to the rural areas to give guidance on scientific farming and render technical service required by the peasants. Indiscriminate collection of levies and fees should be strictly prohibited so as to lighten the peasants' burden. Assistance to the poor should be continued so that both the poor and the well-to-do will embark on the road of common affluence. There are countless tasks involved in agriculture, but once we have grasped the policy and service, we have truly grasped the vital points.

3. /Ensure sustained and steady growth of industrial production./

Our industrial growth rate for the first quarter of this year was 8 percent, a rate which ranked among the highest industrial growth rates in the country but is still less than the planned target. This was mainly attributable to the fact that our efforts were somewhat relaxed in January and February, that we had insufficient circulating funds, and that there was a shortage in the supply of raw and semifinished materials. Recently the provincial people's government has called a meeting to analyze the economic situation and has adopted necessary measures. At present, we should emphasize the following:

We should overcome the tendency to relax efforts and do everything to ensure the fulfillment of the production plan. By opposing one-sidedly seeking a high growth rate, we do not mean that the lower the growth rate, the better. Still less do we mean that we can relax our production efforts. What we should do is to maintain a reasonable growth rate while improving product quality and putting stress on economic efficiency. Without a reasonable growth rate and a real increase in production, it will be impossible to improve economic efficiency, meet the growing market demands, and contribute more to the state's accumulation, and what is more, even the process of reform may be affected. Therefore, it is imperative to seriously analyze the situation to find out both the favorable and unfavorable factors and mobilize the broad masses of staff members and workers to fulfill their production quotas every month and every quarter without fail.

It is necessary to strengthen ideological and political work among enterprise cadres, workers, and staffs. Economic work is the central task, and ideological and political work guarantees the smooth progress and healthy development of economic work. It is necessary to correctly handle the relationship between an enterprise and the state. An enterprise's leading cadres must lead workers and staff to make great contributions to the state and share the state's difficulties. They must not compete with one another for personal income. They must correctly handle the relationship between leading cadres and workers and put the workers' interests above all else anywhere and anytime. They must correctly handle the relationship between immediate and long-term interests. While appropriately increasing the distribution of personal income, they must pay attention to an enterprise's accumulation from production so as to increase reserve funds. It is necessary to properly solve according to policy questions concerning allocation of funds, do ideological and political work well, and develop the workers' enthusiasm for production.

It is necessary to maintain comprehensive control over and a balance of funds, raw and other materials, energy resources, and communications and transport. The shortage of energy resources, raw and other materials and, in particular, circulating funds is an important factor affecting this year's industrial production. Monetary and management departments and in particular materials through various channels to serve enterprises and create conditions for the steady increase of production in a coordinated way. It is necessary to guarantee on a first priority basis the supply of circulating funds to enterprises whose products are marketable. In addition, it is necessary to solve the question of inadequacy of circulating funds for newly built enterprises. It is necessary to launch mass activities of tapping potentials, practicing thrift, and increasing production and income and let all people make contributions to developing production and increasing economic results.

It is necessary to increase by big margins products which are in short supply and products which are marketable. It is necessary to continue readjusting the composition of products in accordance with market demand and the demand set by the provincial economic development plan. We must see to it that the products which are no longer marketable should not be produced. Our limited manpower and material and financial resources must be used in most needed trades and for the production of most needed products. It is necessary to strengthen the coordination and balance within a trade, strive hard to eliminate any obstruction, and spur the development of the trade as a whole.

It is necessary to further coordinate the relationship between industry and commerce. Industrial and commercial departments must take the initiative in coordinating with each other and exchange production and marketing information. The industrial departments must guarantee the production of products under mandatory planning. They must regard the fulfillment of the state plan as their own responsibility and maintain the solemn nature of the plan. The commercial departments must actively replenish their stock and help plants open up markets and sell their products. They must use their numerous channels and well-informed sources to fully understand the composition of commodities and the supply and demand of the principle assortments of goods. They must make suggestions on increasing production of products whose supply falls short of

demand and must help industrial departments solve appropriately the question of inadequate raw and other materials for light and textile industries. Both industrial and commercial departments must correctly handle the relationship between departmental benefits and social benefits, actively develop production, and improve supply.

4. /Expand and speed up commodity circulation./

At present, our province enjoys a stable market, but there are great hidden pressures. The province's first quarter retail sales increased by 6.3 percent, lower than the 35.6 percent increase in the corresponding period of last year. In addition, surplus buying power increased by some 30 percent over the end of 1984. Urban and rural residents' savings deposits increased by over 388 million yuan, an increase of 21 percent over the corresponding period of last year. Consumers' demand for commodities is very strong. It is necessary to continue attaching great importance to both circulation and production, expand and speed up circulation, and further improve supply.

We should break down barriers of administrative regions, follow an open-door policy, and promote the two-way circulation of industrial products and agricultural and sideline products. In order to develop lateral economic ties, various plants may operate jointly with producing areas of raw materials or with wholesale departments in marketing their products. Durable consumer goods' manufacturing plants and marketing units may be organized into integrated enterprises. The main producing areas and main marketing areas for pigs, poultry, eggs, vegetables, and other, nonstaple food products may also operate in a joint manner on a trial basis. Various retail stores may be organized into an association which can purchase goods directly from plants and distribute them among retail units. State-run commercial facilities should serve the whole society. Trade centers should be improved through reorganization and gradually turn themselves into economic entities to provide various services.

We should develop the role of commercial departments, actively promote the flow of commodities within and outside the province, and extend procurement and sales to distant localities. Through developing a "showcase" economy, we should organize a marketing network to promote the sale of Anhui's products in other localities. We should adhere to the principle of "whoever makes the investment receives the benefits." The state, collective, and individual should all work hard to promote commodity circulation.

We should give full play to the leading role of state-operated commercial enterprises. We should establish a reasonable stock of important commodities which are related to the national economy and people's livelihood. We should further expand the decision-making power of state-run commercial enterprises, raise the amount of profits to be retained by large and medium-sized commercial enterprises to an appropriate level, and further activate the operation of small state-run commercial enterprises. The rebuilding and expansion of commercial enterprises should be treated in the same way as the technological transformation of industrial enterprises. In promoting the circulation of rural commodities, we should first try hard to promote the procurement and marketing of grains and other agricultural and sideline products. We should

further improve the contract system, improve service attitudes, raise service quality, and strive to turn commercial enterprises into a "showcase" of spiritual and material civilization.

5. /Strive to increase income and reduce expenditures, use funds in a flexible and lively manner./

In 1985, state revenue increased relatively quickly in this province, but expenditures increased even faster. Many new factors have emerged in state expenditures this year. The increased expenditures for wage reform, meetings, and official trips alone account for two-thirds of funds which can be increased in this province. The remaining portion of increased funds available for this province has to be used for expenditure increases for education, scientific and technological research, agricultural investment, various kinds of relief, and subsidies to units related to the reduction of prices for some chemical fertilizers. Therefore, funds which can be used in construction work will be very limited. During the first quarter of this year, state revenue increased by 11.1 percent compared with the same period last year, fulfilling 22.4 percent of the annual plan but not reaching the average requirement in gaining revenues. People's governments at various levels must conscientiously grasp financial work well and strive to fulfill the state revenue plan for this year.

It is necessary to develop and expand revenue sources and vigorously increase revenues. We should mobilize and organize various enterprises to strive to increase production, expand circulation, and raise economic results in order to create more profits and be able to pay more taxes. In light of problems discovered during the general investigation on tax collection, financial conditions, and commodity prices, we should adopt appropriate measures, establish and improve necessary rules and regulations and methods for supervision and investigation, and promptly and fully collect all money due the state. According to the State Council's decision, we should conduct general investigation on tax collection, financial conditions, and commodity prices every year for several years to come. We should strengthen auditing work and actively improve macro-control and strengthen economic management. We should continue to improve the finances of townships and towns, implement the financial system of "fixing a certain amount of income and expenditures with additional income distributed according to a set proportion and the unused portion used later, "whip up the enthusiasm of the grassroots level units in managing money matters, and reduce their dependence on higher level units for financial matters.

We must strictly control state expenditures and be industrious and thrifty in doing everything. This year's state expenditures are mainly for food supply, educational development, agricultural progress, normal administrative work, and relief for needy people. Expenditures for all other purposes must be kept within the limits of state revenues, and disbursements must be controlled according to the availability of funds. The provincial people's government has issued a "circular on strictly controlling state expenditures," formed an examination group for the approval of state expenditures, and is strictly controlling expenditures. Since the end of last year, the party Central

Committee and the State Council have issued a "circular on solving some serious problems in the workstyle of various offices at present" and several other documents. All localities and departments must conscientiously implement them, combine economical use of funds with the struggle against unhealthy tendencies, and firmly curtail administrative expenditures. At present, various units have made many requests to solve their respective problems. Most of their requests are quite reasonable. However, we are limited by the objective conditions and available resources, and it is impossible to "undertake numerous tasks at the same time." We can only concentrate on solving some problems at a time. If we list too many items and expenses, things will go contrary to our wishes.

We must use funds in a more flexible and lively manner. We must make vigorous efforts to increase deposits. The People's Bank and other specialized banks should all strengthen their management of funds, make flexible adjustments in the use of funds, actively promote lateral ties, speed up the turnover of funds, fully tap their potentials, and increase the usefulness of funds. We must also help various enterprises dispose of their unsold stocks and liquidate their outstanding loans. Governments at the provincial, city, and county levels should all systematically establish financial markets to promote economic development.

6. /Strengthen the building of socialist spiritual civilization and the legal system./

In his "Report on the Seventh 5-Year Plan," Premier Zhao pointed out: "It is our established long-term strategic policy for the entire historical period of socialism to promote the cultural and ideological advance of socialist society while furthering its material progress." In order to strengthen the building of spiritual civilization, we must speed up the development of education, science, literature, art, and other cultural work on the one hand and strengthen ideological building on the other. Under the new historical conditions, the invasion of corrupt capitalist ideology and the capitalist way of life, the growth of the idea of seeking personal interest and money in disregard of state and collective interests, and the damaging influence of unhealthy tendencies on social customs have indeed endangered the successful implementation of our policy of carrying out reform and opening to the outside world and impaired the further development of socialist material civilization. We must realize the serious nature of the problem and adopt effective measures to solve it.

We must firmly grasp ideological and political work for carrying out reform and opening to the outside world. We must strengthen education on the current situation and on policies for all cadres, staff and workers, and intellectuals. We must also strengthen education on the four cardinal principles and on the lofty ideals of communism, patriotism, socialist morality, and discipline in order to enable the broad masses of cadres and people to clearly understand the situation, unify their thinking, have common ideals and discipline, raise their ability to resist corrosion by various kinds of corrupt thinking, and consciously plunge themselves into reform and construction. We must set right our guiding ideology for workers on the cultural and theoretical fronts. Units which produce and disseminate spiritual products must strive

to raise their workers' political and professional quality, keep to the four cardinal principles and the policy of serving the people, strengthen propaganda on discipline, place social benefits in first place, and provide more and better spiritual nourishment for the people. We must firmly resist literary and art works which may corrupt the people's soul and poison the minds of young people and children, and must also oppose the tendency of bourgeois liberalism.

We must persist in promoting construction and the legal system at the same time. Leaders at all levels must conscientiously study the guidelines of Comrade Deng Xiaoping's important speech on the matter to effectively raise their understanding of socialist democracy and socialist law, take the lead in studying legal knowledge and understanding and observing the law, and further strengthen public security and judicial work. One major content of the drive for spiritual civilization is the popularization of legal knowledge among citizens in a planned, step-by-step, and systematical way.

This is a grand social project. This year, the first year in the 5-year drive to popularize legal knowledge, we must mobilize forces in all quarters and make a good start by promoting the drive with serious and practical efforts. It is imperative to unswervingly implement the principles of giving heavier punishment at a faster speed as permitted by the law in our efforts to deal severe blows at criminal activities that seriously harm social order. Comprehensive efforts to stabilize and improve social order should be stepped up in order to build a solid foundation to enable us to fundamentally improve social order. Serious economic criminal activities should be cracked down with the firm resolve to ensure the smooth development of the reform of the economic structure and the drive for modernization.

The rectification on unhealthy practices calls for both firmness and persistence. We must firmly stop unhealthy practices among cadres, including engaging in commercial activities and running enterprises, sending personnel abroad in a haphazard manner, squandering public funds on pleasure tours, indulging in extravagance and waste, entertaining guests, presenting gifts, and giving bribes. Nothing is more effective in curbing such practices than having the leading organs and leading cadres set an example. People's governments and leading cadres at all levels must carry out earnest investigation of unhealthy practices in their respective offices and departments, solve problems one by one, and institute practical and enforceable rules and regulations to deal with these problems. In the recent past, there have indeed been a very small number of cadres, including a very small number of leading cadres, who collude with lawless elements in society to use their powers for personal gains and carry out other activities in violation of law and discipline. This has caused extremely serious harm. We must first deal with major and serious cases, adhere to the principle of both accuracy and speed, dare to handle tough cases without being softhearted, and be determined to make a thorough investigation to find out all the facts about any organization and any person concerned, at any level. We must see to it that laws are strictly observed and enforced and that lawlessness is punished. We must understand that everyone is equal before state law and government discipline.

It is necessary to promote the building of grassroots-level political power in the rural areas. We must make sure that leading bodies meet the requirement of being composed of cadres who are politically more aware, younger, better educated, and professionally more competent; we must enforce the division of administration and operation and see to it that township governments function in a sound and flawless manner. The building of political power should conform to the new situation of reform of the economic structure in the rural areas, and promote the development of the rural economy. We must promote the building of villagers' committees by carrying out ideological consolidation and reorganization; establish and perfect various organization and work systems, including those for people's mediation, public security, culture and education, public health, and social welfare; and perfect villagers' convention and pacts. We must build up rural grassroots political power in every administrative area into one which is full of vigor and authority and capable of leading and running the area's political, economic, cultural, and various other activities.

Fellow deputies,

In order to effectively promote the vigorous development of reform and economic construction, governments at all levels must strive to upgrade their work to a new level by adhering to the basic principle of wholeheartedly serving the people, improving the style of work, and raising work efficiency.

Governments at all levels must unswervingly focus attention on economic construction and make sure that work in all other areas is subordinate to and serves this focal point. Meanwhile, they must realize that there should be balanced development in all fields of work by taking everything into consideration. In the Seventh 5-Year Plan period, the transition of the government organs' managerial function from one of direct control over enterprises to one of indirect control should be speeded up to establish a new socialist macroeconomic management system. The nature of the work of economic management departments at all levels should be changed. Instead of directly organizing production and distribution of products, these departments should shift their work to mapping out plans for the entire trade, supervising and coordinating the whole trade's efforts, and serving it. Instead of depending mainly on administrative means, they should depend mainly on economic and legal means in doing their managerial work, and strive to achieve the objective of having managerial work serve enterprises.

Leading cadres at all levels should study hard the basic theory of Marxism, persist in linking theory with practice, constantly raise their consciousness of implementing policy, and raise scientific levels in decision-making and problem-solving. At present, special attention should be paid to studying Premier Zhao Ziyang's "Report on the Seventh 5-Year Plan" and important documents of the Fourth Session of the Sixth National People's Congress and to implementing them earnestly in actual work. Also, we should earnestly study science and technology, raise our cultural level, and acquire management and other professional knowledge; we should learn to do things in accordance with economic law so as to better perform our duties entrusted by the party and the people.

Governments at all levels, and all departments, should gear themselves to the people's needs, go deep down among grassroots units, and do good deeds and solid work for the masses. Leading cadres should devote at least one-third of their time every year to doing research and investigation work among grassroots units and solve problems for them on the spot. We should advocate the establishment of service centers for grassroots work, acquire the latest information, and ensure direct leadership. Governments at all levels should organize cadres to visit areas where the masses need them most and help solve difficult problems. They should, together with the masses, implement the party's policies and create a new situation. The experience of working among grassroots units will help mold and cultivate our cadres. Organizational workstyle must change dramatically. We must be determined to do away with "piles of paperwork and endless meetings," avoid wrangling and prevarication, improve service, and raise work efficiency. In doing things, we should adhere to the spirit of seeking truth from facts, speak unequivocally, work practically, seek practical results, avoid showiness, refrain from riding roughshod over people, and avoid raising a hue and cry. The provincial people's government should, above all, play an exemplary role in the province.

Governments at all levels and their workers should consider themselves as people's servants and voluntarily submit themselves to supervision by the representatives of the people, the people's congresses at all levels and their standing committees. They should faithfully execute resolutions and decisions of the people's congresses and their standing committees, regularly submit work reports, conscientiously handle proposals, suggestions, and criticisms advanced by people's representatives, and see to it every case is attended to.

Fellow deputies!

The task of translating the grand blueprint of our province's Seventh 5-Year Plan into a glorious reality is a very honorable but rather arduous one. However, we have full confidence in victory. Let us, workers, farmers, intellectuals, cadres, PLA commanders and fighters, public security personnel, members of the various democratic parties and people's organizations, Taiwan compatriots, Hong Kong and Macao compatriots, overseas Chinese, and all socialist-motherland-loving people, under the leadership of the CPC Central Committee, the State Council, and the Anhui Provincial CPC Committee, carry forward the spirit of the foolish old man who removed the mountains, engage in arduous struggle, and build the country with hard work and thrift. Let us plunge ourselves into the implementation and realization of the Seventh 5-Year Plan and strive for the accelerated development of Anhui's economy.

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PROVINCIAL AFFAIRS

HEBEI REPORT ON 1985, DRAFT 1986 DEVELOPMENT PLAN

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[Report on the implementation of the 1985 economic and social development plan and the draft plan for 1985 economic and social development for Hebei Province delivered by Song Shuhua, chairman of the Hebei Provincial Planning and Economic Commission, at the fourth session of the Sixth Provincial People's Congress on 25 April]

[Text] Fellow deputies:

Entrusted by the provincial government, I now submit a report on the implementation of the 1985 provincial economic and social development plan and the draft plan for the 1986 provincial economic and social development for examination and approval by the present session.

1. The Situation Regarding the Implementation of the 1985 Plan

Thanks to conscientiously implementing the principle of "enlivening the domestic economy and opening to the outside world" and enthusiastically facilitating the reform of the economic, scientific and technological, and educational systems, the situation of the implementation of the 1985 plan for the national economic and social development was very good. The total social product was 73.46 billion yuan (calculated in terms of current prices), an increase of 13.8 percent over 1984. Of this, the total industrial and agricultural output value was 59.43 billion yuan, an increase of 12.1 percent. The output of most of the major industrial and agricultural products met or surpassed their production targets. New progress was made in scientific, educational, cultural, public health, and sports undertakings.

The Province Continued To Reap a Bumper Agricultural Harvest and Made Overall Progress in the Rural Economy

In 1985, the rural areas of our province took a new step toward readjusting the production structure and reforming the system of fixed state purchases of farm produce. This further sparked comprehensive rural economic development. The total social product of the rural areas of our province was 31.09 billion yuan, an increase of 15.1 percent over 1984. The total agricultural output value was 16.46 billion yuan, an increase of 3.3 percent (including the output

value realized by the village-run industry). Of this, the output value of forestry, animal husbandry, sideline occupations, and fisheries was 4.34 billion yuan, the proportion of which, in the total agricultural output value, rose from 20.5 percent in 1984 to 26.4 percent. The total grain output was 19.666 million tons, an increase of 5.2 percent over that of the previous year. Due to the planned reduction of cultivated areas and the natural disasters, the total cotton output was 629,000 tons, a drop of 40 percent from the previous year. The total output of oil-bearing crops was 869,000 tons, an increase of 44.8 percent over 1984. The number of large animals in stock at the end of the year was 4.465 million head, an increase of 8.6 percent over that of the previous year. The output of pork, beef, and mutton was 819,000 tons, an increase of 27.6 percent over 1984; that of poultry and eggs was 334,000 tons, an increase of 44 percent; and that of aquatic products was 128,000 tons, an increase of 21.1 percent. In addition, 400,000 hectares were afforested last year, overfulfilling the plan by 50 percent.

Industrial Production Was Developed in a Sustained and Coordinated Manner and Economic Results Were Improved

In 1985, the industrial front of our province persistently attached primary importance to reform; conscientiously popularized the experiences of Shijiazhuang City in applying the method of "collision and rebound" to carry out reform in a comprehensive and coordinated manner; continued to strengthen and improve the macroeconomic control and management, as well as to further grasp the work of enlivening the enterprises; and enthusiastically and successfully carried out the readjustment of the production structure and product mix. The total industrial output value was 42.97 billion yuan, an increase of 19.7 percent (if the output value realized by the village-level industry is not factored in, the increase was 14.9 percent. Of this, the output value realized by state industrial enterprises increased by 10.7 percent, that realized by the collective industrial enterprises increased by 24.3 percent, that realized by light industrial enterprises increased by 23.1 percent, and that realized by heavy industrial enterprises increased by 16.4 percent. Most of the major industrial products to be appraised according to plans met or surpassed the output targets, except for the fact that a few products such as chemical fertilizer, farm chemicals and sulphuric acid failed to meet their production targets as a result of the changes in supply and demand. The light and heavy industries were developed in a coordinated manner. Of the total industrial output value, the proportion of light industry was 48.5 percent, while that of heavy industry was 51.5 percent. The transportation capacity was improved. The volume of transportation was 5.3 billion ton-km, an increase of 5.5 percent over 1984. The volume of passenger transportation was 5.19 billion person-km, an increase of 8.5 percent over 1984. Postal and telecommunications undertakings witnessed new development, with total transactions of 126 million yuan, 13.9 percent more than in the previous year. The economic benefit of industrial enterprises improved. Compared with the previous year, the output value of local budgetary industrial enterprises grew by 9.9 percent, their income from sales by 15.6 percent, and their profits and taxes by 10.5 percent. The per-capita productivity of state-owned industrial enterprises that exercised independent accounting reached 12,468 yuan, 6.9 more than in the previous year. The overall energy consumption per 100 million yuan of output value of key industrial enterprises declined by 1.4 percent.

Investment in Local Capital Construction Was Brought Under Control, and Large and Medium-Sized Construction Projects Were Completed Fairly Successfully

In 1985, governments at all levels throughout the province strengthened control over the investment in fixed assets, and straightened things out with regard to the projects under construction. A total of 273 projects were suspended, postponed, or canceled, saving 107 million yuan of investment. The scale of investment in local state-owned capital construction was brought under control effectively. The annual investment in local state-owned capital construction was 1.63 billion yuan, which was 97.3 percent of the state-approved quota in terms of comparable standards. Six large and medium-sized projects--the South Luan He water diversion and supply project, the Wannian No 2 pits in the Fengfeng mining area, the Liannancang vertical pits in the Kailuan mining area, the No 1 200,000-kilowatt power generating equipment included in the Xingtai Power Plant expansion project, the No 1 power generating equipment of Fengrun Power Plant, and the second-phase construction of the coal wharf of the Qinhuangdao Harbor--were completed and put into operation. Investment in technical transformation totaled 1.72 billion yuan. Major projects that were completed and commissioned totaled 1,191, which represented the largest annual figure in recent years.

Channels for Commodity Circulation Increased, and Urban and Rural Markets Became Thriving

In 1985, the total volume of retail commodity sales throughout the province reached 20.44 billion yuan, a 17.5-percent increase over the previous year. The increase was 8.9 percent when price increases are considered. Of this sum, the volume of consumer goods retail sales was 19.97 billion yuan, an increase of 22 percent. The increase of the retail sales of high-grade durable consumer goods, in particular, was even greater, with those of television sets increasing by 87.3 percent, those of electric fans by 2.4 times, those of washing machines by 73.6 percent, those of refrigerators by 6.5 times, and those of recorders by 95.2 percent. With increased circulation channels, urban and rural collective and individual commercial units grew rapidly. Throughout the province, the number of collective and individual commercial units increased to 440,000, 42,000 more than in the previous year, and their employees totaled 1.121 million, 214,000 more than in the previous year. Trade fairs and markets increased to 2,477, an increase of 203 over the previous year, and the business volume of urban and rural trade fairs totaled 3.38 billion yuan, an increase of 45.9 percent.

Revenues Increased Steadily, and the Credit Put Into Circulation Was Properly Controlled

Our province's 1985 revenue plan was fulfilled fairly successfully, with the total revenue reaching 4.515 billion yuan, an increase of 17.2 percent over the previous year. Credit put into circulation by banking units was properly controlled. The province's planned increase in loans to be used as investment in capital construction was 707 million yuan, but the actual increase was 698 million yuan, accounting for 98.7 percent of the plan. The planned increase in the loans of township enterprises was 102 million yuan, and the planned

loans of the people's bank to various specialized banks totaled 6.412 billion yuan. Both were fulfilled according to the plans. The headquarters had approved our province's year-end temporary loans to be 1.774 billion yuan, but we actually used 1.754 billion yuan, or 98.8 percent. The amount of money put into circulation was reduced. Under the situation in which the wage and price reforms were initiated, the money put into circulation for the whole year totaled 1.883 billion yuan, a decline of 247 million yuan, or 11.6 percent, from the previous year.

Lateral Economic Ties Were Strengthened, and Foreign Economic Relations and Trade and Technological Exchanges Were Further Expanded

In 1985, our province witnessed new development in lateral economic ties. It sponsored an economic and technological cooperation invitational meeting, the fourth north China cooperation meeting, and a discussion meeting on international economic and technological cooperation and export commodities. All prefectures and cities also adopted various measures to expand lateral economic cooperation. According to incomplete statistics, by the end of last year our province established economic and technological cooperative relations with 27 provinces, municipalities, and autonomous regions and with more than 200 institutions of higher learning and scientific research institutes. During the past year, a total of 4,681 contracts on economic and technological cooperation were signed, with the contract value amounting to 940 million yuan and the materials cooperation value to 520 million yuan. Under these contracts, more than 6,200 competent persons were exchanged. At the same time, our province signed 201 technological import agreements valued at \$140 million with foreign countries, almost 2 times that in the previous year, and signed 52 foreign capital utilization agreements valued at \$48.03 million, a 2.7-fold increase over the previous year. Foreign trade expanded further. The 1985 total volume of foreign trade and export amounted to \$1.298 billion, up 70.3 percent over the previous year. The tourist trade developed steadily. In 1985 the province received a total of 32,000 travellers, including foreign travellers, Overseas Chinese, and compatriots from Hong Kong and Macao, up 45.6 percent over 1984. The foreign exchange income from the tourist trade amounted to \$2.23 million, a 38.6-percent increase over the previous year.

In the course of extensively organizing international economic and technological cooperation, we exercised control over the amount of foreign exchange utilized.

Last year, the province used a total of \$119.67 million in foreign exchange, accounting for 99.7 percent of the foreign exchange utilization target assigned by the state to our province.

Great Development Was Made in Scientific, Educational, Cultural, Public Health, and Sports Undertakings, and New Achievements Were Scored in Building Socialist Spiritual Civilization

In 1985 our province scored gratifying achievements in research and application of scientific achievements and in technical development. Of the 563 scientific research projects covered by the provincial plan, 477 had met the requirements for progress rate. The research project for the development of the Taihang

Shan and the application of new rural energy resources were commended and awarded by the state. A total of 128 projects, including the project to cultivate grapes rapidly, the Jigeng No 7 drought-resistant variety of crops, the vita series of soft drinks, red and pink grape wine, and optical fiber communications, reached the advanced domestic levels. Among the already-scored scientific and technological achievements, 85.4 percent have been commissioned popularized, or applied.

New headway was made in educational undertakings. In 1985 the local ordinary higher learning institutions enrolled 15,600 students, up 13 percent over the previous year. Of this, the enrollment in teacher training colleges increased by 19.4 percent, and that of specialized colleges 30.1 percent. The local higher learning institutions readjusted their establishment of specialities; added 46 specialities, such as technological economy, industrial analysis, thermal power engineering, textile engineering, forest protection, livestock and poultry breeding, and feed cultivation; and increased the enrollment quotas for the five specialities which fell short of the demands, such as industrial management, civil engineering, finance and economy, politics and laws, and computer science. Development of adult education was accelerated. Last year, the adult educational institutions enrolled 28,000 students, a 73.8-percent increase over the previous year. The secondary educational institutes enrolled 33,700 students (including the in-service cadres undergoing training), an 8.1-fold increase over the previous year. The enrollment rate of the school age children reached 97.7 percent. Considerably good results were achieved in the popularization of the 9-year compulsory education and the secondary professional and technical education.

New achievements were scored in the literary, art, press, publishing, broadcasting, television, public health, sports, and family planning undertakings. In 1985 the province produced a total of 13 teleplays involving 23 volumes, distributed 173 new films, and published 447 million copies of newspapers and 239 million copies of books. The medical and public health conditions were continually improved. The number of hospital beds throughout the province reached 103,000, a 4.1-percent increase over the previous year, and the number of full-time medical personnel reached 153,200. The population growth was further controlled. The natural population growth rate was 11.5 per thousand. Our province's athletes won 73 gold medals, 62 silver medals, and 54 bronze medals in various international and domestic sports contests. This was a great breakthrough made by our province in the annals of sports history.

The People's Living Standards Were Improved, and the Growth of Consumption Funds Become Rational

In 1985 incomes of the urban and rural population increased, and their living standards were improved further. The per-capita net income of peasants was 385 yuan, an 11.6-percent increase over the previous year. Adjusting for price increases, the real increase rate was 6.5 percent. The age per-capita daily living expenditures reached 297.6 yuan, a 22.3-percent increase over the previous year. State organs and institutions carried out wage reform, and the enterprises began to readjust wage systems. The per capita wage of staff members and workers was 1,043 yuan, an increase of 13.6 percent over 1984. If the rise in living expenses is not factored in, the real increase was 4.4 percent.

A total of 337,000 jobless people were employed in the urban areas, and the number of workers in the urban areas reached 105,000. The year-end savings deposits of the urban and rural people reached 10.29 billion yuan, an increase of 28.8 percent. The people's housing conditions were further improved. New houses covering an area of 5.6 million square meters of floor space were built in the urban areas while housing projects completed in the rural areas reached about 45 million square meters of floor space. The increase of consumption funds tended to be rationalized on the premise that further improvements were made in the people's living standards.

Viewing from the general situation, the situation of the economic and social development in 1985 was very good. However, there were many problems. With regard to the macroeconomic management, we paid attention to strengthening the control over the scale of capital construction, consumption funds, and the use of credit and foreign exchange. And as a result of the fact that a situation of "demanding uniformity in everything" and exercising excessively rigid control emerged in some fields, some problems demanding an urgent solution were not handled, and some aspects that should have been enlivened were not enlivened at all. With regard to handling the relations between speed and results, we paid attention to maintaining proper speed but failed to take effective measures for upgrading the economic results. Such major problems as low quality, high consumption, poor management, and poor economic results existed in the industrial production and capital construction fields. In the circulation field, there were also such problems as the imbalance between different wholesale links, our failure to bring into full play the role of state and cooperative commercial enterprises as a major channel, lagging behind in terms of management and operation, and the impeded circulation unsuitable to the development of commodity economy. In terms of the rural economic development, we failed to provide the people with appropriate before-, during-, and after-production services. The peasants in some areas lost their enthusiasm for growing grain and cotton; thus, the tendencies of neglecting the farmland capital construction and having farmlands lie waste generally existed. The development of scientific, technological and educational undertakings failed to meet the demands of economic development. We failed to link science and technology with production. Our educational quality was not high enough. The provincial government has taken a series of measures for solving the above-mentioned problems in a step-by-step manner.

2. The Situation of the Arrangement for the 1986 Plan

1) Guiding Ideology and Major Tasks

The general guiding ideology and major tasks of the 1986 economic and social development plan are as follows: Conscientiously implement the guidelines of the Fourth Session of the Sixth NPC; persistently attach primary importance to reform; continue to grasp the reform of the economic, scientific and technological, and educational systems in accordance with the principle of consolidation, digestion, supplement, and improvement; vigorously facilitate lateral economic cooperation; persistently carry out an overall balance between the general demand and the general supply; ensure a sustained, steady and coordinated development of the national economy; continue to readjust the investment structure and the production structure in accordance with the principle of

making an overall plan for ensuring the construction of key projects; strengthen key construction projects and technological transformation; enthusiastically increase the production of readily marketable products on the premise of upgrading the quality of product and economic results; maintain a proper economic growth rate; and continue to strengthen the socialist spiritual civilization while grasping the material civilization.

The major targets for the economic and social development are as follows: If calculated based on the 1985 price indices, the total industrial and agricultural output value should be 63.95 billion yuan, an increase of 7.6 percent over 1985. Of this, the total agricultural output value should be 17.12 billion yuan, an increase of 4 percent (including the 7 percent of the output value realized by the industry at or below the village level). The total industrial output value should be 46.83 billion yuan, an increase of 9 percent (excluding the 8 percent of the output value realized by the industry at or below the village level). The national income should be 35.1 billion yuan, an increase of 6.7 percent. The accumulation rate should be 29.5 percent. The per capita net income of peasants should be 420 yuan, an increase of 9 percent. The per capita wage of staff members and workers should be 1,132 yuan, an increase of 8.5 percent. The social labor productivity rate should increase by 4 percent. The overall energy consumption for national income should drop by 3 percent from that of the previous year.

2) Continue To Accelerate the Development of the Rural Commodity Economy

The rural economic development should be based on local resources, and aimed at achieving common prosperity. We should actively perfect the circulation system, and the cooperative service system, and further set to right the position of agriculture in the national economy. While ensuring a steady grain output growth, we should vigorously develop diverse undertakings, and do a good job in the development of "mountainous, coastal, and highland" areas.

In 1986, the output of major farm products is planned as follows: The output of grain is 20 million tons, that of cotton 675,000 tons, that of oil-bearing crops 900,000 tons, and that of meat 900,000 tons. In order to achieve an overall development in the rural economy, we should focus on the following work:

A. We should continue to readjust the rural production structure.

Grain growing areas should be stabilized. This year grain growing areas are planned to be kept at about 4.67 million hectares. We should strengthen management of the 2.46 million hectares of wheatfields, particularly the 1.67 million hectares provided with favorable water conservation conditions, and strive to increase per-unit yields, and the total output. We should stabilize and continuously improve the rural policies in order to protect the peasants' enthusiasm for growing grain and cotton. Localities where conditions permit should adopt measures, such as developing rural industries to support agriculture, or meting out awards or punishment according to the quality of the contracted land, to encourage peasants to invest more in production. Arbitrary occupation of farmland should be strictly banned in order to guarantee the

steady growth of grain output. We should strengthen management of cottonfields, and strive to fulfill the state-assigned output plan. We should strengthen management of cottonfields, and strive to fulfill the state-assigned output plan. We should improve purchasing contracts, and organize well the serialized service for production, technology, and circulation. We should pay attention to vegetable production. In line with the guiding ideology of basing on the production of outskirts areas, supplementing it with that of other counties, gearing to the needs of urban areas, and serving Beijing and Tianjin, we should develop, in a planned manner, a vegetable field disposition with outskirts areas as the center, and combining outer suburbs and production bases. We should greatly develop animal husbandry, continuously support specialized households and villages, and expedite the construction of meat, egg and milk production bases, and the development of animal feed industry.

B. We should increase agricultural input, and improve the conditions for production.

We should increase our investment in agricultural capital construction if we are to maintain a steady growth, strengthen the agrotechnological foundation, and increase our strength for agricultural development. The province plans to invest 43.62 million yuan in agriculture this year, a 13.56-percent increase over the last year. At the same time, investment earmarked for some special projects has been arranged through other channels. In addition, rural areas should rely on their own accumulation, and raise funds from various quarters. We should successfully repair the existing agricultural facilities, provide them with all supporting installations, and manage them well. Obstacles in major rivers should be cleared, and their embankment should be reinforced so that rivers can be more capable of flood control. We should do a good job in afforestation and water and soil conservation to facilitate an ecological balance and gradually realize a benign cycle. We should exert more efforts to support poverty-stricken areas, properly use support-the-poor funds and materials, and supply them with sufficient food and clothing. We should also adopt correct policies and measures to invigorate poverty-stricken areas, and help them eliminate poverty and achieve affluence as soon as possible. Arbitrary collection of fees from peasants should be banned in order to lighten the burden on them.

C. We should speed up the development of "mountainous, coastal and highland" areas.

In mountainous areas, measures corresponding to local conditions should be adopted to fully develop local resources, expand farming, forestry, animal husbandry, and sideline production persistently in an all-round manner, engage in agriculture, industry, commerce and transportation in a comprehensive manner, and greatly develop the commodity economy. We should pay attention to planting trees and grass to conserve water and soil.

In highland areas, we should implement the principle of "combining forestry, grass planting, animal husbandry, and farming, with the focus on animal husbandry, while developing industry and commerce," strengthen the construction of grassland and shelterbelts, accelerate grassland renovation and its

rational utilization, change grazing-land to increase grassland fertility, develop the three major advantages in animal husbandry, sesame production, and potato production, do a good job in the processing of animal products, and further improve the overall economic results.

Coastal areas should focus on fisheries, give priority to the production of marine products and salt, and the development of coastal strip, make the best use of sea and beach resources, actively develop sea fishery and aquaculture, and correspondingly develop supporting breeding fry, bait material, processing, storage, and road facilities.

D. We should accelerate the construction of commodity production bases.

In accordance with the principle of carrying out the unified plan in a step-by-step manner, this year we must concentrate on the construction of the corn production bases in the eastern part of the province, the Heilonggang cotton production base, vegetable production bases, livestock production bases, and fruit production bases. With regard to the construction of corn production bases, we should concentrate on making an overall plan, providing coordinated service, and conducting economic appraisal. With regard to the construction of cotton production bases, we should focus on breeding fine seeds, spreading technology, and constructing infrastructural facilities. With regard to the construction of quality cotton production base counties, this year we should grasp the construction of 11 base counties of such kind, including Nangong, Gucheng, and Jixian counties. With regard to the construction of vegetable production base counties, we should pay attention to the construction of nine base counties of such kind in Zhangjiakou, Langfang and Baoding prefectures which are near Beijing and Tianjin. With regard to the construction of livestock production base counties, this year we should grasp the construction of seven base counties for raising lean-meat hogs, six base counties for raising meat cattle, and two freshwater fish breeding bases in Tangshan and Shijiazhuang cities. With regard to the construction of fruit production bases, this year we should concentrate on building a production base of Xuehua pears in Zhaoxian County and a production base of honey peaches in Shenxian County. In accordance with the market demands and individual advantages, all localities should strive to achieve the construction of small bases for the production of meat, eggs, milk, vegetables, melons, fruits, medicinal materials, and flowers and plants.

E. We should accelerate the development of town and township enterprises.

We should enthusiastically support and vigorously develop town and township enterprises. In accordance with the market demands and different actual conditions, all localities should make the most of their own advantages and natural resources to take a path of organizing industrial and agricultural production in accordance with the demands of foreign trade. We should achieve the precision processing of farm and sideline products and pay attention to developing the tertiary industry. In accordance with the regulations set forth in the state policies, the areas with mineral resources should enthusiastically develop mining and building materials industries and various kinds of service trades. The areas around the urban areas and with fairly developed economy

should develop the processing industries to serve large industrial enterprises or export trade. The town and township enterprises that have made an early start and with a good economic foundation should upgrade and update their products, carry out technological transformation, strive to develop new products, upgrade the product quality, and strengthen their competitiveness. We should continue to give assistance to the town and township enterprises, in particular, those in mountainous areas and highlands that have made a late start and have no good economic foundation. The urban industrial enterprises should enthusiastically expand the sales of their products to the rural areas, help the rural areas cultivate talented persons, offer them technologies, and provide information to them so as to expand the economic and technological cooperation between the urban and rural areas. While vigorously developing township- and village-run collective enterprises, all localities should enthusiastically support the development of cooperative enterprises and household-based enterprises in an effort to ensure that these four kinds of enterprises will be developed coordinately. The total income of the town and township enterprises this year is planned to be 20 billion yuan, an increase of 19.8 percent over 1984.

3) We Should Keep a Proper Industrial Growth Rate on the Premise of Upgrading the Economic Results.

With regard to the industrial production, this year your province should attach primary importance to reform, vigorously facilitate lateral economic cooperation, accelerate the pace of technological transformation, continue to readjust production structure, consciously strengthen enterprise management, and ensure a proper industrial growth rate on the premise of upgrading the economic results.

A. Further enhance the vitality of the enterprises.

We should continue to streamline administrative procedures and delegate power to the lower levels, and implement the regulations of the state and provincial policies on enlivening the enterprises. While enlivening the large and medium-sized enterprises, we should further relax the policy restrictions and enliven the small state enterprises and collective enterprises by carrying out the methods of managing the enterprises on a contract or lease basis, delegating power to them, and collecting funds for running these kinds of enterprises. In accordance with the state regulations, we should do a good job in reducing the regulatory business taxation of the enterprises and in allowing them to be exempted from it, and should increase the depreciation funds in a step-by-step and planned manner. This year, the province taxation totaling 61.92 million yuan for large and medium-sized enterprises in order to enhance their vitality. We should continue to expand the enterprises' plan-making power. The number of products covered by the provincial management plan decreased from 91 in 1984 to 83 this year. When assigning mandatory planning to the enterprises, we should leave some margin. We should initiatively carry out the system of factory heads taking the responsibility and fixing targets during their terms of office, and improve various categories of economic contract responsibility systems. The enterprises with favorable conditions are allowed to divide various accounting units and to carry out the system of each level taking the responsibility for managing the divided work. Through reform, we should ensure that the enterprises will be able to upgrade their abilities in accumulation, transformation and development.

B. We should accelerate the technological transformation of enterprises. This year the state will provide the province with 837 million yuan of investment in technological transformation projects. This investment will be mainly made in the light and textile, energy, raw materials, machinery, and electronics industries. Through reform, readjusting the product mix, improving the quality of products, and accelerating the upgrading and updating of products, we will gradually change the situation in which our products have remained at the same level for many years in terms of quality and have lacked competitiveness. We should continue to grasp technological transformation and emphatically import key equipment and software technologies. At the same time, we should strengthen the digestion and application of the imported technologies, and constantly raise the ability to develop new products and blaze new trails and the level of domesticization.

C. We should vigorously promote lateral economic cooperation. We should further expand the economic and technological ties with various fraternal provinces, municipalities, and autonomous regions, and gradually establish an open economic network. We should give full play to the role of the central cities, and strengthen the economic ties between the urban and rural areas. We should actively establish lateral economic ties between various enterprises, focusing on the brand-name, better-quality, and readily marketable products. Those integrations which have already been established should be consolidated and improved constantly in order to gradually develop them into group enterprises. We should strengthen the guidances over, coordination of and service for the lateral economic integrations, transmit information to them in a timely manner, and give them support in all fields. We should successfully hold the international and domestic economic and technological trade talks, positively utilize the foreign capital, and further expand the economic and technological exchanges with foreign countries and with other provinces in our country.

D. We should actually strengthen the enterprise management. Centering on improving the quality of products and lowering the materials consumption, we should actually strengthen and improve the enterprise operation and management, and comprehensively improve the quality of enterprises. Beginning with the basic work, we should attend to the work in the fields of standardization, metrological examination, management of production quota, information network, rules and regulations, basic education, and building of teams and groups. We should focus on popularizing the overall quality management and the overall economic accounting in order to make the stability and improvement rate of major products reach 80 percent or higher, to lower the raw materials consumption, calculating in terms of the materials volume, by 3 percent from the previous year, and to reduce the deficits of the money-losing enterprises by 25 percent. We should positively popularize the modernized management methods, gradually change the traditional management methods, and constantly improve the management of enterprises.

4) We Should Strictly Control Investment in Fixed Assets and Rationally Readjust the Investment Structure.

This year the initially arranged state investment in the province's fixed assets is 1.76 billion yuan, of which, 923 million yuan will be invested in capital con-

struction projects, and 837 million yuan in technological transformation projects. Of the investment in capital construction, 220 million yuan is the investment raised by the localities in a unified manner and covered by the state budget; 360 million yuan is the investment raised by the people privately; 270 million yuan is the investment earmarked for rebuilding Tangshan, which was hit by an earthquake; and 73 million yuan will be invested in other projects. Calculating in terms of comparable standards, this figure is 175 million yuan less than that in the previous year. This investment will be mainly used for agriculture, energy industry, transport, communication, light and textile industries, raw materials industry and intellectual development. Of the 220 million yuan of investment raised by the localities in a unified manner, investment in agriculture will be 43.62 million yuan, up 13.56 percent over the past year; and that in education, 28.79 million yuan, up 27 percent. In addition, the province will invest the 90 million yuan, which is from the retained portion of the above-quota funds collected for developing key energy and communications projects, in energy and communications projects, an increase of 20.8 percent over the past year. In readjusting the investment structure, we will appropriately reduce the non-productive construction projects, and the proportion of the investment in such projects will drop from 69.8 percent in the past year to 54.8 percent. The key projects which will be completed and commissioned this year include: the Huabei Oilfield (700,000 tons); the Douhe Power Plant (200,000-kw generating unit); the Xingtai Power Plant; (200,000-kw generating unit); the Tangshan Power Plant (50,000-kw generating unit); the Zhangcun Colliery (300,000 tons), the Fengrun Power Plant (50,000-kw generating unit); the 500,000-volt high tension power transmission and transformation project from Shentou to Tianjin via Datong and Beijing, the Tangshan Coking and Gas Manufacturing Plant, the float glass production line of the Qinghuangdao Yaohua Glass Plant; the provincial scientific academy; the provincial scientific and technological building; the provincial scientific and technological information center; a library; the traditional Chinese medical college; and a genetic breeding center. Major projects to be continued or started according to plans include the Kailuan mining areas, the Fengfeng mining area, the Xingtai mining area, the Handan mining area, the Xingtai Power Plant, the Shangan Power Plant, the Shalingzi Power Plant, the Xiahuayuan Power Plant, the Baoding Power Plant, the Handan Power Plant, the Panjiakou energy reservation power station, the Tangshan Steel Plant, the Handan Steel Plant, the Xuanhua Steel Plant, the Chengde Steel Plant, the Bangmoshan Iron Ore in Qianan, the Tangshan Soda Plant, the Qinhuangdao Phosphate Ammonium Plant, the Daqian Railway, the Shijiazhuang railway pivot, the Handan south station, the expansion of the coal wharf of the Qinhuangdao harbor, the Shacheng-Donghuishe highway, the Shijiazhuang Oil Refinery, the Shijiazhuang Kinescope Plant, the Children Hospital, the Tumor Hospital, and the construction of some colleges and universities, and some agricultural, animal husbandry, and fishery commodity bases.

We should continue to implement the relevant regulations of the State Council and the provincial government in order to effectively control the investment scale. With regard to the key projects decided on by the state and the province, we should strengthen leadership and management, coordinate and solve the problems emerging in the course of construction in a timely manner, strictly act according to capital construction procedures, and conscientiously institute the system of taking the responsibility for the entire course of construction so that the projects can be completed and put into operation

according to plans, and yield faster results. Meanwhile, we should make good early-stage preparations for all projects, and actively reserve some projects.

5) Enliven Circulation, and Expand Domestic and Foreign Trade

This year we should continue to reform the circulation system, vigorously establish, on a trial basis, new commercial units which combine industrial units with commercial ones, agricultural units with commercial ones, or agricultural, industrial units and commercial ones, expand commodity exchanges between the province and other provinces, and between urban and rural areas, invigorate fund circulation, and stimulate the development of the commodity economy. In 1986, the volume of commodity retail sales is planned to reach 23.44 billion yuan, an increase of 14.7 percent over last year; and that of exports is planned at \$1.338 billion, an increase of 3.1 percent. This year, priority should be given to the following work:

A. We should open side the doors of urban and rural areas, and strive to open up a great market for the commodity economy. We should orient our work toward the rural areas and the whole country, serve Beijing and Tianjin, expand purchasing and marketing, encourage competition, make markets flourish, and ensure supply.

B. We should give play to the role of state-owned and cooperative commercial units as main channels, and make meticulous arrangements for markets. We should actively organize goods supply, increase the supply of industrial consumer goods, minor commodities and nonstaple foods, pay particular attention to the supply of vegetables, meat and eggs to cities and industrial and mining areas, participate in market regulation, and stabilize market prices.

C. We should speed up the construction of trade centers of means of production. We should encourage enterprises in and outside the province to take part in the markets of means of production, to make up for the others' deficiency from their own surplus, and to exchange information. Supply departments at all levels should render great support, extend quality service, and enliven material circulation.

D. We should accelerate the development of the tertiary industry. We should greatly develop catering, service, and repair trades by pooling the efforts of the state, the collective, and the individual, and the efforts of industrial and agricultural departments.

E. We should expand foreign trade and export, and increase foreign exchange earnings. Major products to be exported this year include 500,000 tons of corn, 50,000 tons of cotton, 90,000 pieces of cotton yarn, and 125 million meters of pure cotton cloth. All of them showed increases over last year. We should conscientiously carry out the state's various preferential policies aiming at promoting the production of export-oriented goods, and encourage enterprises to expand exports in order to earn more foreign exchange. While exporting traditional goods, and staple key commodities, we should also focus on the export of mechanical and electronics products. We should consolidate the old markets, and open up new ones. We should vigorously develop tourism, and do a good job in labor service export to earn more foreign exchange.

6) Reform the System of Science and Technology and Facilitate Technological Progress.

This year we should continue the reform of the scientific and technological system, carry out scientific research on the five trades of agriculture, light industry, textile industry, machinery and electronic industry, and chemical industry, and the four spheres of computer technology, bioengineering, new materials, and energy technology with the research on application, development and technology as the major tasks, develop the technology and tackle the technical problems of 24 major projects, and popularize and apply the 100 scientific and technological achievements. Major measures are as follows:

A. We should vigorously facilitate the reform of the scientific and technological system. We should widely open up technological markets to accelerate the circulation of technological commodities and improve the system of developing technologies in the rural areas and provide them with technological service in order to promote the readjustment of the production structure and the development of the commodity economy. Enterprises should be encouraged to set up institutions in charge of technological developments in order to ceaselessly enhance their ability to absorb technology and achieve development. Enterprises should be encouraged to establish technological cooperation ties with universities, colleges, and scientific research and designing units. Scientific research units should further carry out the self-management system, continue to carry out the system of signing contracts with payment linked to the technologies provided and the system of undertaking tasks on a contract basis. Prefectures, cities, and relevant departments should bring their roles into full play by carrying out a system of each level undertaking the assigned tasks.

B. We should conscientiously carry out the "speak plan." Small and medium-sized enterprises, town and township enterprises, and the vast rural areas should organize forces and cooperate with each other to select and develop a group of "the items that can achieve faster results with less investment" in order to set "a prairie ablaze" to promote our province's economic development.

C. We should vigorously popularize and apply the existing scientific and technological results. We should organize forces to compile, sort out, coordinate, and classify the existing scientific and technological results; and focus on expanding and transferring these results to small- and medium-sized enterprises and town and township enterprises.

D. We should organize forces to tackle scientific and technological problems. Relevant scientific research, teaching and production units should be organized to select items and cooperate with each other to tackle scientific and technological problems.

7) We Should Reform the Educational System To Upgrade the Educational Quality.

This year, we must continue to carry out the reform of the educational system, strengthen elementary education, make the 9-year compulsory education universal in a planned and step-by-step manner, vigorously develop teachers training education, readjust the secondary educational structure, develop vocational and technical education, and strive to upgrade the educational quality. In

1986, ordinary institutions of higher learning plan to recruit 16,380 students, an increase of 5 percent over 1985; secondary specialized schools plan to recruit 32,790 students, an increase of 15.3 percent; adult higher educational schools plan to recruit 32,768 students, an increase of 14 percent; ordinary middle schools plan to recruit 904,600 students, an increase of 3.4 percent; agricultural vocational middle schools plan to recruit 50,000 students, an increase of 13.8 percent; and primary schools plan to 1.17 million students, an increase of 7.2 percent. This year, we must concentrate on the following few tasks:

A. We should strengthen elementary education. First of all, we must grasp the work of making primary school education universal in order to lay a good foundation for making the 9-year compulsory education universal.

B. We should strengthen the construction of the ranks of teachers. The existing teachers training schools should enhance their teachers' quality and improve their conditions for running schools. In accordance with the principle of the province taking charge of cultivating teachers for senior high schools, prefectures and cities taking charge of cultivating teachers for middle schools and key primary schools, and counties (cities) taking charge of cultivating teachers for primary schools and nursery schools, we should perfect the system of developing teachers training education, do a good job in running educational institutions and county-level teachers training schools, organize teachers to attend advanced courses and upgrade their knowledge in a planned manner, and upgrade their teaching ability.

C. We should accelerate the development of vocational middle schools. While continuing to develop ordinary senior schools, we should vigorously develop vocational and technical education. Counties in the "mountainous and coastal areas and highlands" and Heilongjiang area should establish vocational middle schools in a step-by-step manner. In order to promote the development of vocational middle schools, from now on, we should give priority to recruiting workers from among the graduates of vocational middle schools.

D. We should strengthen higher educational work. We should tap the potential of the existing institutions of higher learning, expand the quotas for enrollment, and upgrade the educational quality. We should further readjust specialized establishments and accelerate the development of the branches of learning that we are short of, that we have not had, and that we are weak in.

E. We should strengthen the management of adult education. On the basis of consolidation and improvement, we should gradually shift the focal point of adult education to vocational education in order to cultivate more and better talented persons.

8) New Development Should Be Achieved in Culture, Health, and Sports.

Literature, art, press, publication, broadcasting, film, television, cultural and historical sites, museums, and other cultural undertakings should persistently serve the needs of the people and socialism, give top priority to social benefit, and provide more and better intellectual products to the people. We

should actively develop public health, strengthen the construction of key hospitals, make rural health work successful, exert great efforts to train health personnel, strive to control and reduce the incidence of disease, and improve the people's health. Family planning should be continued to bring the natural population growth down to 11 per thousand. We should further carry out urban and rural sports activities, strive to raise the technical level of specialized sports teams, and enable them to achieve better results at major domestic and international events.

9) Make Proper Arrangements for the People's Lives

The living standards of the people in urban and rural areas should be continuously improved on the basis of developed production. We should conscientiously pay attention to the production of daily consumer goods, and nonstaple foods, such as vegetables, meat, and eggs, and organize market supply well. We should accelerate the development of the tertiary industry to achieve broader employment. We should also solve the conspicuous problems left by the wage reform, and readjust the wage differences among different categories of jobs in some localities. Commodity prices should be kept practically stable. This year, the rise of the retail price index should be kept resolutely under 5 percent in the province, and arbitrary price hikes for the purpose of a huge profit should be stopped. We should continue to improve the housing conditions of urban people, actively develop social welfare undertakings, and make a success of relief work and special care to disabled servicemen and to family members of revolutionary martyrs and servicemen.

10) Continue To Improve the Planning System and Strengthen and Improve Macroeconomic Control

In order to meet the requirement of the socialist planned commodity economy, we should further reform the planning system, properly reduce the proportion of mandatory plans, and expand the scales of guidance plans and market regulation. The mandatory targets assigned to some large and medium-sized state-owned enterprises this year have allowed the enterprises about a 10-percent margin of production capacity. No level is permitted to increase the quotas, and those who assign the targets should be responsible for the balancing and coordination of major production conditions. Enterprises responsible for the allocation and distribution of the products covered by mandatory plans should receive orders for goods in strict accordance with plans, and organize production in line with required varieties, specifications, and schedules.

According to the state's relevant regulations, all construction projects, except for those of primary and middle schools, nurseries and kindergartens, and teachers training institutions built with flexible financial resources or extra-budgetary funds, should be included in plans, and be controlled and managed in a planned manner.

In order to gradually change from the direct into the mainly indirect control in the macroeconomy, we should implement economic rules and regulations, establish and improve economic regulatory organizations, utilize economic levers in a comprehensive manner, strengthen macroeconomic control and regulating

methods, do a good job in economic information and economic forecasting, establish an information network, and continue economic analyses and studies of input, output, and quantity to serve production, construction, and the enlivened economy.

This year is the first year of the Seventh 5-Year Plan period. The present situation is very good, and yet the tasks are very arduous. We should unite with and rely on the forces of various quarters, carry forward the spirit of working hard and building the country through thrift, work in unison, pool the wisdom and efforts of everyone, carry out reform persistently, explore to make advances, work diligently and in a down-to-earth manner, study new situations continuously, solve new problems, and strive to fulfill this year's tasks.

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CSO: 4006/1070

ECONOMIC DEVELOPMENT ZONES

BRIEFS

SHANGHAI POWER EQUIPMENT CORPORATION--Shanghai--The founding of the Shanghai Economic Zone Power Transmission & Distribution Equipment Corporation (STDC) was announced here yesterday. The STDC consists of the main manufacturers, research and design institutes in the field within the Shanghai Economic Zone, said manager of the corporation Shi Zuming at the opening ceremony. "The STDC is an integrated economic complex engaged in research, design and manufacturing of complete sets of power transmission and distribution equipment," Shi said. "The corporation was set up in a bid to solve the lack of coordination of research, manufacture and distribution of equipment in the region, and to suit the development of the economy," he added. [By staff reporter Zhao Yuanlong] [Text] [Beijing CHINA DAILY in English 9 May 86 p 2 HK] /12712

CSO: 4020/342

ECONOMIC MANAGEMENT

ANHUI GOVERNOR ATTENDS HEFEI ECONOMIC MEETING

OW021303 Hefei Anhui Provincial Service in Mandarin 1000 GMT 31 May 86

[Excerpts] A provincial conference on economic restructuring opened in Hefei today. Attending the conference are provincial party and government leaders including Wang Yuzhao, Lu Rongjing, Meng Fulin, (Han Danqin), Kang Zhijie, (Guo Qixiang), Zhang Dawei (Dao Ming), Wang Houhong, Song Ming, Zheng Jiaqi, (Yang Zhengyi), and (Zhao Huaihou).

After briefing the meeting participants on the main points of Premier Zhao Ziyang's speech at the first national conference on economic restructuring in urban areas held last March in Beijing, Vice Governor Zhang Dawei outlined seven measures to further promote lateral economic association in Anhui:

1. Lateral economic associations should be promoted as the main form of economic cooperation among enterprises.
2. In promoting lateral economic associations among enterprises, it is necessary to adhere to party policies.
3. The purpose of lateral economic associations is to rationalize the country's economic and industrial structure with a view to promoting production and voluntary cooperation on the basis of mutual benefit among enterprises.
4. In promoting lateral economic associations, it is necessary to broaden the decision-making powers of enterprises. It is necessary to formulate a series of policies to encourage lateral economic associations.
5. It is necessary to revitalize enterprises through lateral economic associations, and to create favorable conditions for the reform of enterprises.
6. In promoting lateral economic associations, we should aim at accelerating the replacement of the old structure by a new one.

7. It is necessary to deal correctly with problems encountered in the course of carrying out reform and invigorating the economy. We should never seek simplified methods of solution.

Representatives of prefectures, cities, and counties and leaders of provincial departments concerned also attended the conference.

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CSO: 4006/1082

FUJIAN'S HU PING STRESSES SCIENCE, TECHNOLOGY

OW090833 Fuzhou FUJIAN RIBAO in Chinese 16 May 86 p 2

[Text] In his report to the Fifth Session of the Sixth Fujian Provincial People's Congress, Governor Hu Ping pointed out: Scientific and technological progress and the development of intellectual resources are strategically important to national economic growth; they are the pre-conditions for economic revitalization and the four modernizations. We must rely on science and technology to achieve national economic growth during the Seventh 5-Year Plan. Scientific and technological work should be conducted in a way that will best serve the purpose of economic and social development.

Hu Ping said: During the Seventh 5-Year Plan, we should undertake a number of projects that require less research time and are more reliable and capable of producing quick results. While actively applying and disseminating research results, we should also step up basic research as well as mid- and long-term research in those applied sciences that may contribute to Fujian's economic development. First, we should strengthen applied research to make full use of the advantages of our mountains and seas. We should firmly implement the "sparking program" to raise the technological standards of our medium-sized and small enterprises, rural enterprises, and farm production. Second, we should do a good job of digesting, absorbing, and improving imported technologies, successfully carry out technological transformation of enterprises, and quickly turn science and technology into productive forces to meet the needs of our opening to the outside world and developing lateral economic ties. Third, we should organize coordinated efforts to tackle major research and technical problems encountered in economic construction and social development. To ensure scientific and technological development, we need to further reform our scientific and technological structure, raise our research institutions' ability to conduct research and develop new technologies, popularize the remunerative contract system, expand the technology market, vigorously promote joint economic ventures for technological development and unclog circulation channels to ensure the smooth flow of research results to the production sector. We should speed up scientific and technological personnel training, expand their ranks, institute a system of hiring people for specialized technological posts, and further arouse the initiative of the vast numbers of scientists and technicians.

Hu Ping said: Education should center on personnel training and the development of intellectual resources. It should serve to raise the ideological, cultural, and technological standards of our people. During the Seventh 5-Year Plan, we should comprehensively implement the central committee's decision on reforming the education structure, enforce the Law of Compulsory Education of the People's Republic of China, seriously strengthen preliminary education, actively push forward the 9-year compulsory education system, make primary education universal, vigorously develop middle school education, improve secondary vocational and technical education while promoting regular high school education, and pay attention to the development of preschool education. Regular high schools should readjust their curriculums, improve their teaching infrastructure, and raise educational standards. We should vigorously develop adult education and initially establish an adult education system incorporating primary, secondary, and higher education. We should make serious efforts to run schools for training teachers at all levels. We should give priority to teachers' education in terms of budgeting and other conditions. We should foster fine social ethics of respecting teachers and knowledge and help to establish a contingent of teachers suitable to our needs in terms of standards, numbers, and specialization. Schools of all kinds and at all levels should implement the policy of development in an all-round way, morally, intellectually, artistically, and physically. We must pay attention to the quality of education in order to train qualified personnel for socialist construction.

Hu Ping said: To ensure vigorous development of science, technology, and education, budgets for and investment in these two areas will increase during the Seventh 5-Year Plan. Governments, departments, enterprises, collectives, and individuals should all concern themselves with science, technology, and education and fulfill their obligations to help promote their development.

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CSO: 4006/1082

ECONOMIC MANAGEMENT

HUBEI'S GUO ZHENQIAN ON COMMODITY CIRCULATION, CREDIT FUNDS

HK310153 Wuhan Hubei Provincial Service in Mandarin 1000 GMT 28 May 86

[Text] In his speech at the provincial conference on financial and trade work which concluded today, Governor Guo Zhenqian stressed: Enlivening the circulating of commodities and making good use of credit funds are two difficult points and two focal points of the current financial and trade work. CPC committees and governments at all levels must do well in grasping them.

In dealing with the work of enlivening the circulation of commodities, Guo Zhenqian said: After the control of the price of the live pigs was lifted, the majority of some 800 food business centers have found it hard to do business and have incurred serious losses. However, one-third of the food business centers have been able to ensure no losses incurred and some county food companies have made profits. The main reason is that these enterprises have carried out their internal reform relatively well and have suited the new situation. To overcome the difficulties now encountered by state-run commercial enterprises and supply and marketing cooperatives in doing business, it is therefore first to begin with enterprises' internal reform. Second, it is essential to break through the demarcation line of departments and regions, to vigorously develop many forms of economic ties, and to form a new type of enterprises and a network of circulation. It is imperative to vigorously implement the agent system and to sell products on behalf of factories and peasants. In the past, Hankou had many bazaars, which were agents. This mode of operation can now be used.

In talking about making good use of funds, Guo Zhenqian said: Our province is now still slightly short of funds. Party and government leaders at all levels and economic departments must regard making good use of funds as an important matter and strengthen the management of funds and guidance to and supervision of their application.

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CSO: 4006/1082

ECONOMIC MANAGEMENT

JILIN PARTY LEADERS HOLD ECONOMIC FORUM

SK010447 Changchun Jilin Provincial Service in Mandarin 2100 GMT 30 May 86

[Text] On the afternoon of 30 May, leading comrades, including Gao Di, secretary of the provincial CPC Committee; Gao Dezhan, governor; and Gao Wen and Liu Shulin, vice governors, held informal discussions with responsible comrades of various cities, prefectures, and autonomous prefectures who were attending the provincial economic work conference and the provincial economic structural reform work conference, and heard their briefings.

Gao Di, secretary of the provincial CPC Committee, gave a speech on strengthening economic and ideological and political work. Comrade Gao Di pointed out: It is necessary to further strengthen leadership over economic work. Recently, the provincial CPC Committee and government called for focusing attention on the following tasks: In agriculture, we should combat disasters in order to reap a bumper harvest. We should overcome low temperatures, cold weather, and insect pests, and strive by all possible means to prevent flooding. At present, the work of transplanting rice seedlings has been basically completed. The focus of economic work in the days to come should be on grasping industry, and the major tasks in the industrial sector should be on reform. The basic principles for reform are to open the province to the outside world and to invigorate the domestic economy. We should display the superiority of natural resources and guard against the closed economy. We should not depend on a locality or an enterprise to solve our problems. It is necessary to establish cooperation and gather the superior aspects from all fields in order to boost production and increase economic results. We should emancipate our thinking and eliminate the ideology of fearing other people picking up our good things. Cooperation is aimed at developing mutual benefits. Even though we have favorable conditions for running enterprises, we should also break through barriers to engage in extensive development. We should extensively carry out multilayered and multichanneled cooperation in various forms. In cooperation, we should allow enterprises to enjoy more decision-making power and should ease rigid control over them. The main job of the leading organs is to render better service. All enterprises should firmly implement the economic contract responsibility system at all levels, and properly handle the relations of interests among the state, the

collective, and the individuals. After the implementation of policies, enterprises should guarantee their success with scientific management so that their managerial level will meet the requirements of economic reform.

In his speech, Comrade Gao Di emphatically pointed out: In the course of reform, we should strengthen ideological and political work, for this is the fundamental guarantee for fulfilling all our tasks. It is necessary to unswervingly implement the system of plant directors assuming full responsibility. The CPC committees should support plant directors and should not meddle in their administrative affairs. They should grasp major policies, ideological and political work, and the building of the party. They should also improve party style. We should exert joint efforts to run enterprises in a better manner and to make greater contributions to the state.

The forum was attended by the responsible comrades of the provincial CPC Committee and government; the various departments, commissions, offices, and bureaus; and the provincial foreign affairs office.

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CSO: 4006/1082

ECONOMIC MANAGEMENT

NEI MONGGOL'S BU HE ADDRESSES SUPPLY, MARKETING CONFERENCE

SK091206 Hohhot Nei Monggol Regional Service in Mandarin 2200 GMT 8 Jun 86

[Text] At the recent regional supply and marketing cooperatives work conference, Bu He, chairman of the regional government, said: In the course of reforming the structure of the supply and marketing cooperatives, we should extensively carry out lateral economic cooperation on the basis of changing them from being owned by the government to being run by the people, and serve the peasants and herdsmen in developing commodity production.

The 6-day regional supply and marketing cooperatives work conference summed up the experiences of the supply and marketing cooperatives across the region gained since the unfolding of structural reform and studied the work for the second half of the year. Comrade Bu He has been concerned about the structural reform work of the supply and marketing cooperatives. He fully affirmed the achievements in the previous stage of structural reform of the supply and marketing cooperatives and put forward specific demands on future work. Bu He said: Recently, we have decentralized some rural supply and marketing cooperatives. We should conscientiously sum up experiences in decentralizing the supply and marketing cooperatives and better balance their relations. At present, we will not decentralize any additional supply and marketing cooperatives. Reform is a process of exploration and practice. We should not seek uniformity.

Comrade Bu He said: Turning some government-run supply and marketing cooperatives into civilian-run cooperatives and increasing the number of supply and marketing cooperatives are beneficial to establishing close ties between the supply and marketing cooperatives and the peasants and herdsmen and winning support from the masses. Peasants and herdsmen said joyfully that their supply and marketing cooperatives have come back. Under the situation in which the commodity economy is being developed, about 60 percent of the supply and marketing cooperatives in the market sphere have more obviously displayed their role as the major channels.

Comrade Bu He called on the CPC committees and governments at all levels to strengthen leadership over the supply and marketing cooperatives, support their work, delegate powers to them, and help them solve difficulties. As for the outlying poverty-stricken areas, we should realistically

implement the policy on nationalities and support them economically. With regard to a small number of low-profit and money-losing enterprises, the relevant departments should try all possible means to support them, to help them free themselves from poverty, and to vitalize them within a short period of time so that they will be able to better serve peasants and herdsmen.

While touching on lateral cooperation, Comrade Bu He called on the supply and marketing cooperatives with appropriate conditions to carry out cooperation between farming and commercial units, between livestock breeding units and commercial units, and between industrial and commercial units, and among commercial units. On the one hand, the supply and marketing cooperatives should sign cooperative operation contracts with peasants and herdsmen and provide them with serialized preproduction and postproduction services. On the other hand, they should promote the sales of farm, animal, native, and sideline products to other localities. At the same time, they should actively raise funds to run all kinds of cooperative processing industrial units in order to turn out intensive processing products on the spot.

He expressed the hope that the supply and marketing cooperatives will make great contributions to developing commodity production, establishing township enterprises, and helping the poor.

While touching on democratic management over the supply and marketing cooperatives, Comrade Bu He pointed out: Those peasant and herdsmen representatives who participated in the board of directors and the supervisory committee should not only give guidance in the work but should also speak prudently and realistically represent the interests and demands of peasants and herdsmen.

With regard to the improvement among supply and marketing cooperatives, Comrade Bu He called for efforts to raise the political awareness and the professional skills of the workers and staff. He expressed the hope that workers of the supply and marketing cooperatives will cherish their own work and improve service quality. He suggested that in the future, the educational departments, should transfer some college and secondary vocational school graduates to work in supply and marketing departments. They will receive the same wages as cadres of state organs.

At the conference, Comrade Bu He also put forward some suggestions on the current purchases of fine hair and the development of cooperation between plants and the raw materials producing bases, which greatly inspired the comrades attending the conference.

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CSO: 4006/1082

ECONOMIC MANAGEMENT

BRIEFS

MATERIAL SUPPLY WORK REFORMS--According to HUNAN RIBAO, Governor Xiong Qingquan said at a provincial conference on material supply work on 7 June that a current important task in the province's material supply work is to reform the materials planning setup, achieve comprehensive balance in materials, further develop the production materials market, and enliven the circulation of materials. At present the planning and allocation of major materials is under the charge of the provincial planning commission. The connection between these arrangements and actual operations is not tight enough. As a result there is a lack of coordination between what is covered by the plan and what is not, between allocation and supply, and between operations and management. To solve this problem, Governor Xiong demanded that a good grasp be got of reforming the material planning and allocation setup and that proper comprehensive balance of materials be organized. The material supply bureaus must help the planning commissions to tackle this work. [Excerpt] [Changsha Hunan Provincial Service in Mandarin 2200 GMT 9 Jun 86 HK] /9738

CSO: 4006/1082

FINANCE AND BANKING

'READER'S MAILBOX' ANSWERS QUESTIONS ON JOINT VENTURES

HK120314 Beijing ZHONGGUO XINWEN SHE in Chinese 0248 GMT 7 Apr 86

[Readers' Mailbox: "How Can Enterprises Run With Overseas Chinese Capital and Foreign Capital and Chinese-Foreign Joint Ventures Acquire Loans?"]

[Text] Beijing, 7 Apr (ZHONGGUO XINWEN SHE)--Question: What is done if an enterprise run with overseas Chinese capital or foreign capital or a Chinese-foreign joint venture wants to acquire a loan?

Answer: Any enterprise with monopolized capital or joint venture which has been approved by China's relevant departments and has registered at the state industrial and commercial administrative bureau and acquired a license for operation may apply for loans at the local Bank of China.

The Bank of China now handles such loans in the following categories: First, loans for circulating funds, namely, loans for short-term circulating funds which enterprises are short of in the process of commodity production and commodity circulation; second, loans for settling accounts, which an enterprise needs for the production funds which have been spent on the shipment of commodities in the course of their marketing in China and abroad; and third, loans for fixed assets, namely, funds needed by an enterprise to expand professional operations, for renovation and transformation, and for the increase of fixed assets.

These loans are made either in Renminbi or foreign currencies. The enterprise will repay the loan in the kind of currency it borrows, and interest will be calculated in terms of the kind of currency involved.

Question: What is the procedure for applying for a loan?

Answer: In applying for such loans, one must first meet the following requirements: First, the applicant must observe the "Law of the People's Republic of China on Joint Ventures Using Chinese and Foreign Investment"; second, the applicant must have an account at the Bank of China or a bank approved by the Bank of China; third, it must have a reliable reputation and good management and operations; and fourth, it must have reliable sources of funds for loan repayment and interest payment, and a mortgage or a guarantor unit approved by the bank must be provided when an application for a loan is made.

An enterprise must meet the foregoing conditions with the approval of the enterprise board before taking steps to apply for a loan such as filling in the loan application, and providing necessary certified documents, data, and relevant copies of contracts.

After the loan application is examined and approved by the bank, the enterprise in question should sign a debtor contract with the bank. A loan account is then opened and the loan is made based on the articles of the contract. Concerning credit loans, a written pledge must be provided by the guarantor unit approved by the bank attached to the loan contract. For mortgage loans, written evidence on the mortgage as a guarantee of repayment for the loan must be provided by the debtor enterprise with the approval of the bank attached to the loan contract.

Question: Is there a ceiling on the loan?

Answer: The ceiling for the loan must not exceed 200 percent of the registered capital of the enterprise, and a loan made with a mortgage as a guarantee of loan repayment must not exceed 70 percent of the current value of the mortgage.

Question: What are the regulations for loan repayment and interest payment?

Answer: The debtor enterprise must return the exact sum of the loan to the bank on time according to the stipulated date on the loan contract. If a loan is not repaid by the deadline, the loan must be repaid by the guarantor unit. The bank has the right to sell the mortgage of the debtor enterprise for repayment of the principal and interest of a mortgage loan. Regarding past due loans, the bank will take additional interest of between 25 and 50 percent on the basis of the original interest rate for the loan beginning from the due date.

If the debtor enterprise is unable to pay the interest on time, the bank will actively transfer the due interest to the loan account of the debtor enterprise, calculating at a compound interest rate.

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FINANCE AND BANKING

REPORT ON 1985 TIANJIN BUDGET, TASKS FOR 1986

SK012310 Tianjin TIANJIN RIBAO in Chinese 14 May 86 p 3

["Excerpts" of report on the fulfillment of the 1985 financial budget and the 1986 budget tasks presented by Yue Shugong, director of the Tianjin Municipal Finance Bureau, at the 5th Session of the 10th Tianjin Municipal People's Congress on 23 April]

[Text] 1. The Implementation of the 1985 Financial Budget

In 1985, the various economic departments throughout the municipality conscientiously implemented the principle of reform, opening to the outside world, and vitalizing the economy; made important strides in reforming the urban economic structure; developed the economy in a sustained, steady, and coordinated manner; continued to raise economic results; and further improved the livelihood of the people. On this basis, the implementation of the financial budget was good. We overfulfilled the revenue task, guaranteed all necessary expenditures for various undertakings, basically met the needs of the urban economic structural reform and social and economic development, and made due contributions to achieving a fundamental turn for the better in the state's financial and economic situations.

Our municipal financial budget for 1985 was adopted at the 3d Session of the 10th Municipal People's Congress and was discussed and readjusted at the 25th Standing Committee meeting. The fulfillment of the readjusted budget was as follows:

Financial revenue reached 4,410,930,000 yuan, which was 114.1 percent of the readjusted budgetary figure of 3,865,420,000 yuan. If calculated in terms of comparable standards, the increase reached 21.2 percent over the previous year. Adding in the new urban facilities maintenance tax of 179.63 million yuan, the total financial revenue reached 4,590,560,000 yuan, thus ending the situation in which the financial revenue wavered at about 4 billion yuan for a few years. We witnessed a fairly big financial increase and succeeded in increasing production and revenue. Of the total financial revenue, the revenue from the enterprises amounted to 1,027,340,000 yuan, which was 95.3 percent of the budget, a decline of 8.8 percent from the previous year it calculated in terms of comparable standards; tax revenue came to 3,358,190,000 yuan, which was 120.8 percent of the budget, showing an increase of 21.4 percent over the

total 1985 expenditure and revenue for urban districts came to 25.4 million yuan, which was 367.5 percent of the budget, showing an increase of 360 percent over the previous year.

In 1985, we collected 393.85 million yuan in funds for key energy and communications projects, overfulfilling the state-assigned task by 140 percent, and issued 148.39 million yuan worth of state treasury bonds, topping the state-assigned task by 3 percent.

Our financial expenditures came to 2,160,380,000 yuan, which was 75.6 percent of the unadjusted budgetary figure of 2,856,140,000 yuan, an increase of 19 percent over the previous year. Adding in an expenditure of 209.03 million yuan for city maintenance, the total financial expenditure reached 2,369,410,000 yuan. The breakdown of the total expenditures was as follows: 1) The expenditure for capital construction came to 1,011,590,000 yuan, which was 85.6 percent of the budget, showing an increase of 46.4 percent over the previous year if calculated in terms of comparable standards. The completion and operation of the 10 municipal key industrial projects in the light industry and textile, machinery and electronics, and metallurgical sectors helped increase the production capacity. The construction of the western half of the Zhonghuan road and the Baimen grand bridge were completed and opened to traffic, which helped improve the city operations; 2) appropriations for tapping the potential of enterprises and for carrying out technical transformation came to 97.73 million yuan. Together with the investment allocated from the municipality's central-local depreciation funds, the total expenditures reached 183.48 million yuan, showing a slight increase over the previous year; 3) the appropriations for the three scientific and technological projects came to 52.76 million yuan, which was 90.4 percent of the budget, a decline of 6.1 percent from the previous year. Of this, 20.32 million yuan was allocated from the local treasury, an increase of 134.4 percent. The special funds for such purposes given by the various central departments declined from the previous year; 4) the appropriations for supporting agriculture came to 81.2 million yuan, which was 80.1 percent of the budget, showing an increase of 8 percent over the previous year. We gave priority to developing seawater and freshwater breeding and the production of livestock, fruits, and farm and sideline products; 5) the appropriations for cultural, educational, scientific, and public health undertakings came to 481.22 million yuan, which was 74.2 percent of the budget, showing an increase of 26.2 percent over the previous year, exceeding the amount of the regular financial revenue and that of the hotel expenditures for the allocation of funds. Of this, the appropriations for regular education came to 203.02 million yuan, an increase of 9.3 percent over the previous year. To ensure the needs of expenditures on universal education allocations, we once again readjusted the spending standards for teaching administrative expenses, with the allocations for middle schools increasing by 73 percent and those for primary schools and kindergartens by 85 percent. Expenditures on purchases of equipment came to 27.9 million yuan, an 11-percent increase over the previous year. In the course of replenishing and improving the teaching and experimental equipment of the existing schools, we equipped the newly built secondary and middle schools and kindergartens with installations in standardized with the urban standard. Expenditures on repairing of schools came to 11.16 million yuan, an 11 percent over the previous year. With this

fund, 50,000 square meters of houses of primary and middle schools in the urban areas were repaired. With the state subsidies and the funds raised by various fields, we repaired and built 170,000 square meters of houses for the rural primary and middle schools. Allocations for public health undertakings came to 115.87 million yuan, up 29.8 percent over the previous year. We improved the equipment of two city-level hospitals and four district- and county-level hospitals, and added 1,285 new hospital beds; 6) allocations for administrative management came to 122.4 million yuan, 90.4 percent of the budgeted figure, fulfilling the central authorities-assigned task of reducing the administrative management expenses by 10 percent; 7) after loosening control over the prices of foodstuffs, we issued 265.44 million yuan to subsidize the prices of food stuffs, of which, 153.39 million yuan was released from the local budget; and 8) expenditures on appropriations for the simple construction projects; the industrial, communications, and communications undertakings; employment for the urban youths; urban maintenance; undertakings in other departments; social relief; and militia undertakings totaled 367.12 million yuan, showing increases of varying degrees over the previous year.

In 1985 the central authorities implemented the financial system of "differentiating the variety of taxes, checking and deciding revenue and expenditure quotas, and letting each level be responsible for its financial work" in our municipality, and fixed the municipality's proportion of retention of revenues at 39.45 percent. The municipality implemented the financial system of "deciding the basic quota, sharing the total value of revenues, and proportionate sharing of revenues" among various districts and counties, and fixed the proportion of revenue sharing at 38 percent.

In 1985 the accounts showed a favorable balance of 698.19 million yuan, of which, 500.83 million was from the municipal-level budget and 197.36 was from the county-level budget.

During the past year, with the aim of adapting to the needs of the economic structural reform and promoting social and economic development, the financial and tax departments have scored some achievements in strengthening macroeconomic management in the course of allowing flexibility in the microeconomy. To invigorate enterprises, we have continued to improve the plans for implementing the second step of substituting taxes for delivery of profits among state enterprises, have actively implemented measures for invigorating large and medium-sized enterprises, have appropriately relaxed control over the policies toward small enterprises, and have further intensified the vitality of enterprises. To ensure the development of various undertakings, we have not only given consideration to the needs of economic construction and the development of cultural and educational undertakings, but have also taken into account the expenses in other undertakings, thus further rationalizing the distribution of expenditures. To support the wage and price reforms, we have mainly depended on the local financial resources to properly provide the funds for wage increases of various administrative departments and establishments, and for granting the subsidies for foodstuff prices. To strengthen the management of tax revenues, we have further given play to the role of tax revenue as an economic lever, improved the tax system, and established a system for collection and management of taxes from departments in charge of foreign affairs, one which is basically

suitable for the work of opening to the outside world. To develop new products and introduced the policy of giving awards to those enterprises that produce and purchase goods for export and the policy of returning taxes to enterprises that produce export goods. In 1985 a total of 112 million yuan of taxes was returned to enterprises, thus encouraging them to export more goods and earn more foreign exchange. In order to enforce financial and economic discipline, we have conducted the general survey on tax revenues, financial affairs, and market prices. Through this survey, we have not only ferreted out and handed over to the state treasury 128 million yuan in illegal money, but [words indistinct] vigorously promoted the protection of the socialist legal systems and discipline and the improvement in party style and social conduct.

While affirming the continuous improvement in the financial situation, we should also note the current difficulties and problems. Some enterprises produce poor-quality goods, and their product mix is not rational enough to suit the changes in market demands. Others have low managerial and technological levels, large material consumption, poor economic results, and poor ability for mastering and applying technologies. Investment in some capital construction projects and projects involving technical transformation measures yields slow returns, the situation of relying on state investment to expand production has yet to be thoroughly changed, and enterprises lack the ability to transform and develop themselves. Some weak links still exist in finance and tax management, and loopholes in incomes, losses and waste in expenditures, and financial and economic discipline violations are common at some units that lack a sense of law and discipline. We should conscientiously study and solve these problems in the new year.

2. The 1986 Budget

The 1986 budget has been fixed in line with the guidelines of the national financial work conference, and the major targets set in Tianjin's plan for national economic and social development.

The total budget revenue is 5,171,280,000 yuan, an increase of 6.2 percent over the previous year in terms of comparable standards. Specific arrangements are as follows: 1) the revenue collected from enterprises is 1,350,180,000 yuan, an increase of 0.5 percent over the previous year in terms of comparable standards. Of the sum, the revenue collected from industrial enterprises is 1,247,810,000 yuan, the same as the previous year; 2) taxes of various categories total 3,628, 610,000 yuan, an increase of 6.8 percent over the previous year; 3) the revenue from other sources is 10 million yuan; and 4) the urban maintenance and construction taxes total 182.49 million yuan.

As assigned by the central authorities, our municipality should collect 162 million yuan in key energy and communications construction funds, the same as the previous year, and issue 148.37 million yuan of treasury bonds, an increase of 3 percent.

The total budget expenditure is 2,975,460,000 yuan, of which 1.841 billion yuan should be allocated from the revenue of the same year, showing an increase of

7.5 percent over the previous year. Arrangements for major expenditures are as follows: 1) the spending for capital construction totals 877.86 million yuan, an increase of 2.3 percent over the previous year; 2) the spending for the three scientific and technological purposes totals 27.91 million yuan, increase of 8.3 percent over the previous year. In addition, arrangements have been made to allocate 38 million yuan to equip key scientific research institutions, invest in intermediate experimentation, and develop "three basics"; 3) the spending in support of agricultural work totals 95.73 million yuan, an increase of 17.9 percent over the previous year. The increase is mostly intended for developing farm and sideline products, and supporting the poor; 4) the spendings for cultural, educational, scientific, and health undertakings total 582.52 million yuan, an increase of 20.5 percent over the previous year, which is higher than the increases in our municipality's revenue from regular items and in its expenditures. Of the sum, the spending for ordinary education is 249.38 million yuan, an increase of 22.8 percent over the previous year; 5) the administrative spending is 129 million yuan, an increase of 5.4 percent over the previous year, due chiefly to the fact that spending of administrative units which readjusted their wages and the business funds of public security and political and legal departments increased; 6) this year our municipality will issue 400 million yuan as nonstaple food price subsidies for residents, of which 156.37 million yuan will be issued from local revenues; and 7) the budget expenditures for tapping of potential and technical transformation of enterprises; simple construction; industrial, communications, and commercial operating expenses; urban youth employment; urban maintenance; pension and social relief funds; militia undertakings; and various [words indistinct] as for price subsidies, total 1,106,070,000 yuan, showing increases of varying degrees over the previous year.

The budget revenue this year was positive, and can be achieved as long as we overcome difficulties and maintain an appropriate growth rate in industrial production on the premise of improving economic results. Although the budget expenditure is rather strained, it can satisfy the needs of economic construction and other undertakings as long as we make meticulous calculation and rational arrangements, and strive to use our funds more effectively.

3. Strive For Fulfillment of the 1986 Financial Budget

This year is the first year of the Seventh 5-Year Plan for national economic and social development. Ensuring the sustained and stable increase in revenue is of great significance in realizing the balance between revenues and expenditures and in ensuring the development of the key construction projects and various other undertakings. To successfully complete the 1986 tasks for revenues and expenditures, we should pay attention to the work in the following fields:

1. We should vigorously increase production and practice economy, enhance economic results, and increase financial revenues.

The fundamental way out for solving financial problems lies in the development of production. Under the current situation of carrying out reform, opening to the outside world, and invigorating the economy, all our work should be aimed at opening up channels and expanding and fostering new financial sources.

This year we should strive to intensify the enterprises' self-renovation and self-development capacities through further expanding their decision-making powers and implementing various economic and financial policies. We should strive to lower production costs, economize on consumption, and enhance the enterprises' ability to digest and cope with the regulated prices and other unfavorable factors through fully tapping the internal potential of enterprises. We should also strive to enhance the various products' capacity to suit the market changes through readjusting product structure and industrial structure, and through developing new products. Various economic departments should concentrate their efforts on accelerating the capital construction projects and the pace of technical transformation, and improve the quality of construction in order to complete the construction of these projects and put them into production as early as possible. In distributing and utilizing foreign exchange, we should stress economization and rationalization, and should encourage enterprises to export more products and earn more foreign exchange. In supply and distribution of energy resources, raw materials, and funds, we should give priority to those enterprises that produce better-quality products, yield better economic results, and earn more foreign exchange through exports. All enterprises should work out ways to develop production, increase efficiency, practice economy, and oppose waste in order to fulfill the financial revenue task.

Realizing the balance between revenues and expenditures is a basic condition for the sound development of the national economy. Under the new situation of the financial structural reform, leaders at all levels and all departments should pay attention to revenues; should change the past traditional idea of the state monopoly regarding revenues, expenditures, and financial distribution; should firmly foster the new idea of deciding the expenditures in line with revenues; and should unify the thinking and pool the wisdom and efforts of the people in order to ensure a stable increase in the municipal financial revenues.

2. We should promote the financial and tax structural reform, and continue to invigorate enterprises.

Invigorating enterprises, large and medium-sized enterprises in particular, is the main task for this year's reform of financial and tax systems. While expanding the autonomy of enterprises, the state should again fix the rate of regulatory tax in line with the factors that affect the profits of enterprises, such as the new varieties of taxes collected in the past few years and the regulatory prices. We should attend to the work of reducing regulatory taxes for large and key enterprises in line with the stipulations of the State Council and the targets assigned by departments concerned. Among commercial enterprises, we should institute such management and operational forms as ownership by the state but management by collectives, and leasing trade and contract trade. In encouraging enterprises to increase exports and earn more foreign exchange, we should improve the methods for returning taxes to enterprises that produce export products. In tax collection, we should give preferential treatment to those enterprises that mainly produce products for export and earn handsome foreign exchange. In line with stipulations, we should implement an award system among enterprises that earn foreign exchange through

While [word omitted] poor foundation and chaotic management should step up its efforts and improve the basic management system to gradually bring the management work onto the right track. We should plug up loopholes in policies and systems through investigations and handling of cases involving violations of financial and economic discipline.

All persons in charge of economic work, particularly party members and cadres, should abide by financial and economic discipline in an exemplary manner, bear in mind the interests of the party and the state, adhere to the socialist way of operation and management, and struggle against all erroneous acts in violation of financial and economic discipline and all economic criminal activities.

Our municipality's present economic situation is very good, but our work remains arduous if we are to fulfill this year's financial tasks. We believe that with the concerted efforts of the people throughout the municipality and conscientious work in increasing revenues and cutting expenditures, we can certainly fulfill this year's revenue and expenditure plan successfully.

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FOREIGN TRADE AND INVESTMENT

PAPER REPORTS ON MULTILATERAL TRADE TALKS

HK240718 Beijing GUOJI SHANGBAO in Chinese 15 May 86 p 3

[Article by Huang Jianping [7806 0494 1627]: "The New Round of Multilateral Trade Talks and the Farm Products Trade"]

[Text] Editor's note: Agricultural and sideline products occupy an important place as far as our country's foreign exchange earnings from exports are concerned. In 1985, of the mix of our export commodities, agricultural and sideline products made up 17.5 percent. Further expansion of the international market for agricultural products can not only enable our country to earn large amounts of foreign exchange, but can also help in consolidating and developing the results of our rural economic reform. The curtain is soon to rise on a new round of multilateral trade talks. We must keep a close watch on the outlook for trade in agricultural products. [end editor's note]

U.S. trade representative Clayton Yeutter pointed out in a recent article: In the new round of multilateral talks to be started this year, a main goal of the United States is to straighten out multilateral provisions for international trade in farm produce, so that agricultural trade can develop on a relatively favorable basis in various countries.

Actually, this stand on the part of the United States is a continuation of a countermeasure that it has upheld in multilateral trade talks for as long as 20-odd years. The United States has all along thought that despite equal attention given to the problem of tariffs on farm produce and industrial products in the first four rounds of General Agreement negotiations, since the EC abolition in 1961 of reduced tariffs on imported farm produce in a switch-over to a variable import levy (an import duty equivalent to the difference between the world price and the import price based on the given import price for an imported product), the problem of reduced tariffs on farm produce has all along not been put on the official agenda of multilateral negotiations. It has been discussed only at the request or suggestion of a country concerned. In fact, no country wants to make such a request, because it is feared that this would cause other countries to make appropriate demands concerning other commodities. Thus, proper control cannot be exercised over agricultural trade in regard to quotas and tariffs, heavy subsidies, and non-tariff barriers. Conditions for world trade in farm produce have shown increasing deterioration.

The problem of world trade in farm produce is, in the final analysis, one of the domestic economic policy of various countries. Given the rate of population growth in developed countries far lower than the growth of agricultural productivity and a lack of elasticity in income from farm produce and in relevant supply, governments of various countries appropriate large sums of money every year to stabilize the prices of farm produce and the peasants' income. This policy of subsidization has further greatly stimulated the excessive growth of agricultural productivity, causing grain output greatly to exceed grain consumption and the level of supply far to outstrip the level of demand. For a long time, the United States has been an exporter of agricultural products. Its total volume of primary agricultural product exports has accounted for 17 percent of the world's total. The EC has also gradually changed from being an importer of agricultural products to a region with a surplus of agricultural products.

To counter this situation, the GATT Committee on Trade and Agriculture put forth a proposal urging various countries to combine their domestic economic policies with provisions for quota restrictions and for subsidies in the General Agreement. All domestic policies and measures that can produce an effect on world trade in agricultural products should be bound by relevant provisions in the General Agreement and subject to supervision and coordination from the General Agreement. Various countries have so far been slow in responding to this proposal. But the United States has assumed an optimistic attitude toward reform of the system of world trade in farm produce. The United States thinks that though various countries oppose free trade in farm produce, the program of providing tremendous sums for price supports has become a heavy financial burden on various countries. And this is the very crux of the problem. Therefore, to stimulate the development of the whole Western economy, there is the possibility of various countries finally reaching an overall agreement of a certain kind: On the one hand, domestic measures are taken to reduce agricultural production and stimulate the flow of agricultural resources into the industrial field. On the other hand, relevant provisions are revised through multilateral negotiations, and various tariff and non-tariff barriers in current world trade in farm produce are broken down to put trade in farm produce on the path to free trade.

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CSO: 4006/1076

FOREIGN TRADE AND INVESTMENT

HEILONGJIANG SEEKS FOREIGN COOPERATION IN DEVELOPING ECONOMY

Beijing PEOPLE'S DAILY OVERSEAS EDITION in Chinese 29 Oct 85 p 3

[Article by Li Huimin [2621 1920 3046] and Wang Baozin [3769 1405 2946]: "Face the Nation and Face The World; Heilongjiang Opens Province Door To Expand Multifaceted, Multistyle Economic and Technical Cooperation"]

[Text] The government of Heilongjiang recently summed up the task of revitalizing domestic life and opening up toward the world: Face the nation and the world and cooperatively develop various styles, ways, levels, and locations of economic and technical exchange.

The northerly located Heilongjiang is rich in resources, has adequate transportation and shipping, a solid industrial and agricultural base and a vast market potential. In essence, it is an excellent environment for technical and economic cooperation. In recent years, the province has established economic and trade connections with more than 1,700 clients from more than 100 nations and areas; it has also signed more than 220 project agreements with foreigners for the development of new industries as well as the expansion and technical transformation of older enterprises. These projects have a total value of \$300 million and more than 370 foreign technological items have been introduced into China.

Provincial Secretary Hou Jie [0186 2212] says that while economic and technical cooperation with foreigners has had a measure of success, it is still insufficient, the areas below should be the subject of vigorous and extensive cooperation.

The energy and transportation industries must be developed. The five largest river systems in the province--the Heilong, the Niaoer, the Nen, the Nen and the Suifen have been approved for the construction of 270 large, medium and small hydroelectric stations with a holding capacity of 6.12 ?mw (billion watts). Coal reserves hold an important place nationally. These resources can be utilized. Hydroelectric plants must be cooperatively developed; coal must be mined and processed chemically for use in large and medium-sized cities as coal gas and as a heat supply for engineering. Electric plants as well as other projects must be developed. As to transportation and shipping, railroads supplied by local energy can be cooperatively constructed as can railroads between coastal cities and the interior. Also,

Harbin's international airport should be taken advantage of in setting up a cooperative, international air cargo service.

The mineral industry should be developed. Investigation has shown that there are more than 50 kinds of mineral resources in the province. Among them are energy resources like oil, coal, and shale oil; dark metals, such as iron, titanium, and manganese; colored minerals, such as copper, lead, gold, silver, and zinc, as well as minerals for the chemical industry, such as phosphorus, mirabilite, and lye. Other mineral resources include limestone, marble, graphite, mica, and (piezoelectric) crystal. Various mining, smelting, processing, and integrated-utilization projects can be cooperatively developed.

The processing industry for agricultural byproducts should be expanded. In Heilongjiang there are now more than 130 million mu under cultivation. The world has seldom seen such black soil. Wheat, corn, soybeans, cereals, potatoes, and other food items are produced in abundance, as are other basic commodities, such as vegetable oil, sugar beet, tobacco, and flax. Heilongjiang has more than 4 million mu of reed ponds, more than anywhere else in China. There are more than 30 (3 million) head of sheep and goats with annual wool production in excess of (10,000) tons. This preponderance of resources can be brought to bear economically in various and sundry processed items, such as food oils, animal feed, refined (process) sugar, paper, and wool and hemp fibers.

The food industry must be developed. Heilongjiang has 13 counties that are either entirely devoted to animal husbandry or one-half agriculture and one-half animal husbandry. Heilongjiang leads the nation in total head of cattle and fresh milk production. In the greater and smaller Xingan mountain ranges of the north and northwest and in the mountainous region of southeastern Heilongjiang, (wooden), mushrooms, pine trees, grapes, roses, the (Mica) monkey peach) and other special food items grow abundantly. Food, starch, dairy products, brewing and beverage industries are thus waiting to be developed.

Finally, older enterprises must be technologically transformed. At present there are more than (15,000) industrial enterprises in Heilongjiang; among these are more than 280 large-scale enterprises. In the near future, more than 100 large and medium-sized enterprises will be upgraded and a number of small-scale enterprises will proceed to improve both quality and efficiency. These transformation projects require financial, technical, material, and human cooperation.

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CSO: 4006/352

FOREIGN TRADE AND INVESTMENT

BRIEFS

FISHING TRAWLERS IN IRANIAN PORT--Tehran, May 28 (XINHUA)--Four Chinese trawlers arrived in the Iranian port of 'Abbas today after 26 days of voyage. The trawlers came to the Iranian port under an agreement signed between the fishing organizations of the two countries for fishing operations in Iranian waters in the Oman Sea. The catch of the Chinese trawlers will be sold to Iran at the prices both sides agreed, while Iran will provide free logistic support to the Chinese trawlers. This is the first project of Sino-Iranian economic cooperation after the 1979 Islamic revolution of Iran. [Text] [Beijing XINHUA in English 0001 GMT 29 May 86 OW] /12712

FINNISH LOAN TO CHINA--According to a report from Finland (NEW FINLAND NEWS), the Finnish Government has formally decided to extend a development loan to China worth 50 million markka. Concrete consultations on this subject will begin in October. This will be the first loan Finland has extended to China. The report said that "soft loans being in short supply, Finland's export sector cannot compete with other Western nations." "Finland intends to apply an integrated loan method to improve its export competitiveness in both the China and Indonesia market." As the report points out, "Seldom is Finland's development aid in the form of a development loan. This is the first time a development loan has been tied to commercial credit. This integrated loan approach to be offered Indonesia and China is a means to support Finland's exports." It has been reported that conditions for the Finland development loan are as follows: the yearly interest rate will be 0.75 percent and it will be repaid over a 25-year period (with an extendable deadline of 7 years). In combination with the export credit, the development loan should be about 35 percent of the total loan, and cannot be less than 20 percent. This loan is good for such Finnish specialties as forest and paper products, smelting, dairy products, hydroelectric power development, and harbor construction, etc. This loan will be administered by the International Development Agency of Finland's Foreign Affairs Ministry. [Text] [Beijing GUOJI SHANGBAO in Chinese 9 Sep 85 p 1] 13030/9435

CSO: 4006/352

SPECIAL ECONOMIC ZONES

XIAMEN SPECIAL ZONE CONTINUES TO OPEN DOOR

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 29 Oct 86 p 1

[Article by Guo Longchun [6753 7893 2504] and reported by Xiamen DAILY NEWS reporter Yan Zhiqiang [7346 2535 1730]: "Xiamen's Special Zone Further Implements Open Door Policy; Products Can Be Exported from Self-Managed Special Zone and Necessary Commodities Can Be Imported; Duty-Free, Entrepot and Transit Trade Service To Be Started"]

[Text] October of this year was the fifth anniversary of the creation of the Xiamen SEZ. Not long ago the State Council replied in writing to the Fujian People's Government (concerning the examination of Xiamen's SEZ implementation plan) and approved a further opening of Xiamen's SEZ. Xiamen's vice mayor Jiang Ping [3068 1627] recently told reporters that in the last 5 years a good foundation was laid for Xiamen's SEZ. The State Council wants the development of Xiamen's SEZ to pick up the pace and enter a new era.

Since the creation of Xiamen's SEZ, at the Huli Industrial Park the five aspects of infrastructure and site leveling have been completed (electricity, water, air, roads, and telecommunications), a new international airport has been constructed, four 10,000- and 50,000-ton port berths have been built and a modern communications system has been set up. The opening step has been taken in creating a favorable investment climate for foreign businessmen. Up until the end of September this year, 271 formal agreements had been signed for joint investment, joint management, and individual foreign investment ventures. Total foreign investment is worth \$600 million.

Vice Mayor Jiang also announced that the State Council has approved the expansion of the SEZ from the original 2.5 square KM of the Huli area to all of Xiamen Island as well as all of Gulang Island. At the same time, Xiamen's SEZ will be altered from its original status as an export and industrial park into a SEZ geared toward the outside world, with industry as the core as well as travel, commercial, and real estate sectors under integrated management. In this way, the extent of foreign investment can be broadened. Within the 131 square km of Xiamen and Qulang they can engage in industry, commerce, travel, real estate, and many other concerns that are well worth the effort.

Among new policies that the State Council approved for Xiamen's SEZ is its gradual evolution into a free port. Under the unified national trade policies,

Xiamen's special zone status allows self-management regarding the import of needed commodities and export of domestic goods, the development of transit and entrepot trade services and with the exception of integrated management enterprises, the acceptance of commissions from domestic enterprises to provide services for commodity import and export.

Vice Mayor Jiang said that a duty-free entrepot is an important policy of an international free port. Outside of weapons and poisonous substances, Xiamen SEZ now permits foreign products to be stored in certain areas, processed, packed, labeled and reshipped for export. None of these commodities will be subject to customs, or to import or value-added taxation. This will generate interest among foreign businessmen.

Regarding finances, Xiamen will be able to establish a financial structure in accordance with national regulations: Special banks are permitted to deal in foreign currencies within the area and free deposit and withdrawal are guaranteed. The State Council has approved the right to borrow money and issue bonds overseas, sell stock, raise funds for development and set up services for public bond administration and over-the-counter stock transactions. Foreign banks are permitted to open for business in these special zones. This year the Xiamen Chinese-Foreign Joint Capital International Bank opened for business and the Singapore Dahua Bank has already received approval to set up a branch in Xiamen.

Asked by reporters how the Xiamen People's Government can implement the State Council's plan, Jiang Ping replied that a diligent effort must be made to establish foreign capital as the principal source of funding. Modern industry must be the linchpin of the production structure and export goods must be the core of an externally oriented economy. Those projects that can create foreign exchange must have priority and funds must be used effectively. Finally, various means for the accumulation of foreign reserves must be created including travel, entrepot trade, labor exportation and industrial processing.

13030/9435

CSO: 4006/352

SPECIAL ECONOMIC ZONES

XIAMEN BEGINS WORK ON SECOND STAGE INFRASTRUCTURE

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 18 Nov 85 p 1

[Article reported by Shi Zhengyao [2457 1513 1031] and Wang Qianhang [3769 1874 3801]: "Accelerate Establishment of Special Zones and Improve the Investment Climate; Xiamen Begins Work on Second-Stage Infrastructure"]

[Text] The man in charge of capital construction for Xiamen told reporters today that work on second-stage infrastructure in the Xiamen SEZ has already begun. Important engineering projects involve water supply, energy, telecommunications, shipping and transportation.

These projects will be completed between 1988 and 1990.

Since the Xiamen SEZ was established in 1980, more than 600 million RMB have been invested in completing first-stage infrastructure projects. This has improved the investment climate of Xiamen's SEZ, but judging from the situation in the zone, it is still unsatisfactory.

Among second-stage infrastructure projects, Xiamen is planning a 600,000 kW thermal power plant. At present the electrical circuitry for the entire city is being revamped.

To start the second stage of constructing the Dong Du port, five deepwater berths are being built. When the project is completed Xiamen harbor's yearly handling capacity will increase from 2 million tons to more than 10 million tons.

Xiamen can now furnish 130,000 tons of water daily, which meets basic needs. By 1990, it is expected that water use will increase to more than 300,000 tons daily. Consequently, Xiamen is starting a project designed to bring water from the mainland to the island and act as a new water source.

Other construction projects include: A six-lane highway that crosses the ocean and joins Xiamen to the mainland, expansion of Xiamen's international airport which will open up new international air routes and the accelerated electrification of the Xiamen-Yingtan Railway.

As to telecommunications facilities, Xiamen will import 20,000 programmed telephones.

SPECIAL ECONOMIC ZONES

BRIEFS

INTERNATIONAL AIRPORT FOR SHENZHEN SEZ--Shenzhen, June 3 (XINHUA)--work is expected to start on an international airport at the Shenzhen Special Economic Zone later this year following the presentation to local authorities today of a feasibility study. The airport will be built 30 kilometers from the center of the southern Chinese city. The first stage of construction, which will cost an estimated 210 million yuan, is likely to be completed by 1989, said a city official attending today's presentation ceremony. This first stage will include a 2,800-meter-long runway, which aircraft such as Boeing 737s and Tridents will be able to use. It is estimated that the airport will be used by 1,200,000 passengers and will handle 50,000 tons of cargo a year. Eventually, the airport will be enlarged for use by jumbo jets, and its annual handling capacity will increase to five million passengers and 200,000 tons of cargo. The feasibility study was prepared by a joint United States team of consultants comprising Parsons International and Lockheed Air Terminal, which was chosen by local authorities and aviation officials from bids by more than 60 foreign companies. The study was financed by the U.S. Trade and Development Program. [Text] [Beijing XINHUA in English 1505 GMT 3 Jun 86] DW 12712

VSO: 4020/342

LABOR AND RIBAO

HEBEI PROVINCE: XING CHONGZHI ATTENDS MODEL LABORERS GATHERING

SHENYANG Shijiazhuang HEBEI RIBAO in Chinese 22 May 86 p 1

[repeated] On the morning of 21 May, the Hebei Provincial Conference of representatives of the advanced units and individuals was ceremoniously opened in Shijiazhuang City.

Attending the conference were 256 labor models and the representatives of 49 advanced units and collectives, including those of veteran models who had scored marked achievements during the past several years in arduously conducting pioneering work and working hard for the program of building the Four Modernizations, and those of model workers who had emerged during the period since the 12th CPC Congress in ideological and political work, in the drive to conduct technical renovations, and in production, services, and scientific work. Also attending the conference as special invited representatives were 41 provincial labor models who had won the national "May Day" medal, the combat heroes of the PLA units, and the dependents of fallen soldiers and workers.

Attending today's conference and seated at the front of the rostrum of the conference were leading comrades from the provincial CPC Committee, the provincial Advisory Commission, the provincial People's Congress Standing Committee, the provincial People's Government, and the provincial People's Committee, including Xing Chongzhi, Xie Feng, Li Wenshan, Yang Jue, Yang Zhong Shao, Ye Liansong, Lu Chuanzan, Qu Weizhen, Zhang Runshen, Song Jindao, Wang Yu, and Xu Chunxing, and responsible comrades from the provincial trade union council and the provincial women's federation.

Zhang Fuyou, member of the secretariat under the All-China Federation of Labor Unions, attended the conference and delivered a speech.

Ye Liansong, standing committee member of the provincial CPC Committee and vice governor of the province, presided over the opening ceremony of the conference, at which Xie Feng, deputy secretary of the provincial CPC Committee and governor of the province, delivered a speech.

In the period since 1962, the conference is another grand meeting attended by the models from various social circles throughout the province. The conference can also be regarded as an experience-exchange meeting in which the participants can learn from each other and from others' strong points to offset their weaknesses, and as an oath-taking meeting for making contributions to fulfilling the Seventh 5-Year Plan by working together for a splendid future, upholding the principle of conducting reforms, pioneering roads of advance, and whipping up an enthusiastic upsurge in the socialist emulation drive. Prior to the conference, localities across the province elected 504 provincial-level labor models and 120 advanced units and collectives. During the conference, representatives will extensively exchange their experience and adopt a letter of proposals. The provincial People's Government will make a decision to commend the advanced and to confer prizes on them.

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CSO: 4006/1082

LABOR AND WAGES

BRIEFS

CHINESE LABORERS ABROAD--Beijing June 5 (XINHUA)--China has signed more than five billion U.S. dollars of contracts to provide labor service abroad. There are now 59,000 Chinese technicians and workers working on construction projects in foreign countries and regions. [Excerpts] [Beijing XINHUA in English 0542 GMT 5 Jun 86 OW] /12712

CSO: 4020/343

POPULATION

AGING OF CHINESE POPULATION ANALYZED

Beijing RENKOU YANJIU [POPULATION RESEARCH] in Chinese No 6, 29 Nov 85
pp 28-30

[Article by Xu Qin [1776 0530], National Commission on Aging: "Analysis of the Aging Process and Characteristics of China's Population"]

[Text] The aging trend of China's population has received widespread attention. However, judging from what has been published there are several different predictions on the aging of China's population. (See Table 1) Differences in the forecasting method used produces similar figures for the year 2000 but a very great difference for the year 2040.

Forecasts of aging trends in the population depend upon predictions of the elderly population and of the general population. The elderly of the next 60 years are already born and the size of the elderly population in the future will be determined entirely by the death rate. Unavoidable differences in prediction arise from different estimates of what the death rate will be in the future. These differences are explained below through predictions according to two different scenarios based on data from the 1982 Chinese census. (See Table 2)

Table 1. Predictions of the Chinese Population over Age 65 in the Years 2000 and 2040

Year Forecaster	2000		2040	
	Pop. in 100 Millions	Percent of Total	Pop. in 100 Millions	Percent of Total
Tian Xueyuan	0.91	7.5	2.3	20.2
Song Jiandeng	0.94	8.3	4.0	34.8
Cheng Yuqin	0.95	7.6	4.0	25.8
Xiao Zhenyu	0.88	7	--	--

(Footnote 1) (Tian Xueyuan [3944 7185 3293], "On Changes in the Age Structure of the Population and Selections Population Planning Programs," TFR=1.5; Song Jiandeng and others [1345 0256 4583], "Population Forecast and Population Control," TFR=1.5; Cheng Yuqin [4453 3768 3830], "The Present and Future of China's Population," TFR=2.0; Xiao Zhenyu [5135 2182 4416].

Table 2. Predictions Using Different Death Rate Scenarios and Their Results

Scenario	Life Expectancy (years)		1982	2000	2040
			Males		
A		Females	66.3	71.7	71.7
			69.4	74.4	74.7
	Over 65 Population (millions)		49	96	295
Scenario B	Life Expectancy (years)	Males	66.3	71.7	78.3
		Females	69.4	74.7	80.4
	Over 65 Population (millions)		49	96	392

In scenario A, the death rate stays constant between 2000 and 2040. In scenario B, the death rate declines steadily resulting in nearly 100 million more elderly in the population in 2040, nearly one-third more than in scenario A. This difference of 100 million demonstrates the great importance of selecting the death rate parameter in predicting the elderly population.

Predicting the size of the total population is different from predicting the size of the elderly population because not only the death rate but also the birth rate must be taken into account. (See Table 3)

Table 3. (A) Different Fertility Programs (TFR)

Year	1982	2000	2040
Scenario C	2.6	2.1	2.1
Scenario D	2.6	1.5	1.5

Note: See previous table for death rate (here, life expectancy) scenario

Table 4. Predictions of the Percentage of the Population Above Age 65 in 2040

Scenario	AC	AD	BC	BD
Total Population (millions)	15.73	12.33	16.95	13.50
Percentage of the Population over Age 65	18.8	24.0	23.1	29.1

Differences between scenarios for 2040 amount to 462 million in the general population and 10.3 percent in the proportion of elderly people in the population, for which predictions run between 29.1 and 18.8 percent. Obviously the selection of the fertility and death rate parameters is extremely important in making predictions on the elderly population. Therefore the results of any prediction are valid only under certain conditions and contain a large element of guesswork. Nonetheless, the various predictions on China's elderly population agree fundamentally on the overall aging trend of China's population. Currently many demographers are making predictions on the future aging trends in China's population. They select different parameters and obtain different predictions. Here the more plausible predictions are analyzed. (See Table 5)

Table 5. Several Predictions of the Future Trend of China's Population Aging

Forecaster	2025			
	65+	65+	65+	Percent
	(million)	(% Pop.)	(mil.)	(% Pop.)
Song Jiandeng (1)	90	7.0	221	15.5
Cheng Yuqin (2)	85	7.0	--	15.0
National Commission on Aging (3)	93	7.0	198	14.8

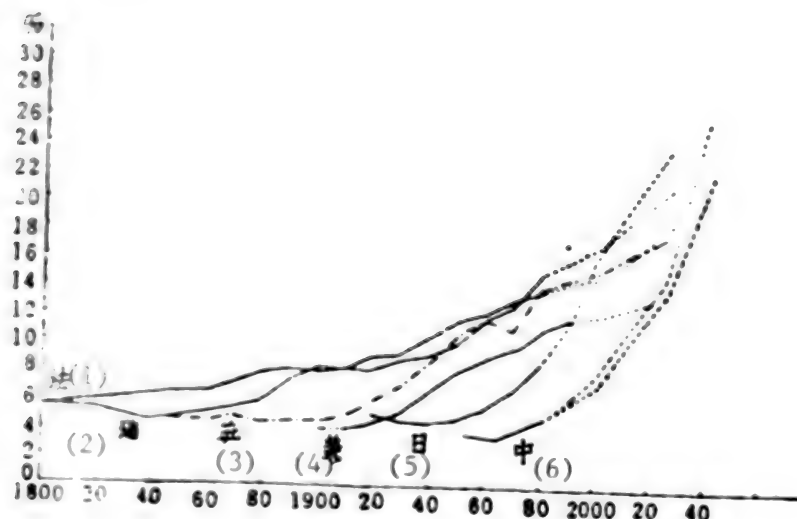
(Footnote 2)

- (1) "Population Forecast and Control," p. 181.
- (2) "The Present and Future of China's Population," Science and Reference Data Vol. 7:3.
- (3) The 1984's Calculation by the State Commission on Aging.

The population aging process of the next 60 years can be divided into three stages. The first stage extends from 1981 to 2000. At the end of the century the proportion of people over age 65 in China's population will exceed 7 percent and China will begin to become an elderly country. The proportion of elderly in the population increases steadily in the second stage, extending from 2000 to 2025, until it reaches 13 to 15 percent by the year 2025. The increase from 7 percent to approximately 15 percent is similar to Sweden 85 years but will take China just 25 years. During the third stage, extending from 2025 to 2040, the proportion of elderly in the population will increase from 13 to 15 percent (the highest level in the world in 1985) to 22 to 26 percent (which will equal the highest level in the world in 1995) (Footnote 3) (Kuroda Yoshio: "Future Population," p. 10). Today there is one elderly person over age 65 among every 20 people in China. It is estimated that there will be one elderly person among every 10 people. Then as the proportion of elderly people in China's population increases, the population aging process in the advanced countries will be accelerated itself and the proportion of elderly people in their population will gradually decline from a peak to its proportion in a static population. Considering the aging trend of the population, this third stage will be the most difficult one. The characteristic of the third stage of the aging process of China's population is gradual growth and then acceleration. During the first stage the degree of aging will not be very great and will not be serious. However, if we are not aware of the trend of development of the latter two stages, and especially the severity of the third stage, the relative stability of the first stage may lull us into not paying enough attention we should to the future acceleration of the aging process of the population. Therefore, we must begin to conscientiously study the aging process of China's population. In comparison with the developed countries, the aging process of China's population has its specific features: a high aging rate and degree. It is characterized by the rapid increase in absolute quantity and relative proportion.

First, the elderly population is growing rapidly. If the population continues to grow according to the above estimate, by the year 2000 there will be 90 million

Figure: China, Japan, Sweden, France, United Kingdom, and United States
Showing the Proportional of Elderly People in the General
Population



KEY: (1) France (4) United States
(2) Sweden (5) Japan
(3) United Kingdom (6) China

Chinese over age 65, double the number in 1982. In 2040, the elderly population will approach 400 million, having quadrupled in 40 years. Over the next 58 years, the elderly population will grow at an annual rate of 3 percent annually. No developed country except Japan has such a rapid rate of increase in its elderly population. Although in 1980 the proportion of Sweden's population over age 65 reached 15 percent, the highest proportion in the world, the rate of increase of the proportion of the elderly in the population exceeded 3 percent annually only for one decade (1880 to 1890). (Footnote 4) (Calculated according to "European Historical Statistics") The annual growth rate of Japan's elderly population exceeds 3 percent for just 25 years (1964 to 1984 and 1995 to 2000). (Footnote 5) (According to calculations in "Trends in 21st Century Japan" and "Population Structure." Chinese data calculated for this article)

In the future, the overall population growth rate will gradually decrease. Population growth around 2040 is predicted to be less than 0.5 percent annually. Over the next 60 years overall population growth in China will gradually decrease as the elderly population continues to grow rapidly. Therefore China's population growth problem of the 1950's and 1960's will gradually change into a problem of the age structure of the population.

Second, the proportion of elderly people in the general population is growing rapidly. From the curves below we can see that the rate of aging of China's population is similar to Japan's, although China lags a generation behind, and it is much faster than any other developed country.

The rapid change in China's population reproduction type causes the Chinese population to age. If we compare China with Sweden and Japan we can easily see that the speed of the decline of mortality and fertility in China not only exceeds that of 19th century Sweden when it became an elderly population type country but also far exceeds that of the developed country which is changing its population type the most rapidly--Japan. (See Table 6)

Table 6. Comparison of Changes in the Birth and Death Rates of China, Japan and Sweden

	China		Japan		Sweden	
Birth rate (percent)	3.411	2.109	3.41	2.15	3.45	2.22
Corresponding period	1969	1982	1928	1953	1800-29	1910-19
Length of decline (Yrs)	13		25		90	
Gross fertility	4.98	2.63	3.56	2.72		
Corresponding period	1972	1981	1950	1970		
Length of decline (Yrs)	5		20			
Life expectancy (Yrs)	44.6	67.88	44.82	67.67	45.2	64.6
Corresponding period	1951*	1981	1926-30	1964	1880	1964
Length of rise (Yrs)	31		36		60	

*Shanghai data

(Footnote 6) (For China, birth rate: "China Statistical Handbook 1983," p 105; gross fertility: "Analysis of the National 1/1000th Fertility Sampling Survey," pp 49-50; life expectancy: Zou Yiren [6760 0181 0088]. "Research on Changes in the Population of Old Shanghai," p 139; for 1981 figures see "People's Daily," 25 March 1984. For Japan, birth rate: Ozu Hiroshi: "Theory of Population Economics," p 191; gross fertility: Shen Yimin [3088 4135 3046] "World Censuses of the Last 30 Years and Population," p 548; life expectancy: "Trends in 21st Century Japan," p 108. For Sweden, birth rate: "European Historical Statistics," pp 80-100; life expectancy: same as Footnote 5, p 133.

The decline in fertility is the decisive factor in the aging of the population although we cannot ignore the role of the decline in mortality. In 1981, China's gross fertility reached the relatively low level of 2.63 which is still higher than the 2.0 of the developed countries. (Footnote 7) (American Demographic Data Company: "Data Cards on 1980 World Population") In the future, fertility will continue to decline but will not have any more very large decreases. With improvements in the standard of living of the people, the urbanization of the population, and improvements in medicine and sanitation there is great potential for declines in mortality. It is entirely possible that average life expectancy will increase by 10 years in the next half century. We should be alert in the future to the influence which declines in mortality, and especially mortality in the elderly age cohorts, will have on the aging of China's population.

Although China is not yet a developed country, it is comparable to Japan in the aging of its population, lagging only by 10 to 15 years. In order to

endure the pressure of having the world's most elderly population, in the future we must struggle to reduce the gap in economic development separating us from the advanced countries to 20 years. Undoubtedly a very great problem confronts us.

12369/9435

CSO: 4006/871

TRANSPORTATION

XINJIANG EXPANDS LAND, AIR TRANSPORT NETWORK

OW261128 Beijing XINHUA in English 1111 GMT 26 May 86

[Text] Urumqi, May 26 (XINHUA)--To improve its economy and attract foreign investment, northwest China's Xinjiang Uygur autonomous region has been building railroads and highways and expanding its air traffic, a regional official said here today.

Construction began last year on the 240-kilometer railroad between the regional capital of Urumqi and the city of Usu. After that route is finished, the railroad will be extended west to the Sino-Soviet border at Alatau Pass, said Zhang Sixue, deputy secretary of the regional committee of the Chinese Communist Party.

At the pass, he said, the railroad will be linked with a Soviet line--opening up new possibilities for Asian and Near Eastern trade. Until then, although Xinjiang borders the Soviet Union, the nearest rail link will continue to be 2,000 kilometers away in inner Mongolia.

The region is upgrading narrow and often unpaved winding roads linking Kashi City to Kunjirap, an outlet at the Sino-Pakistani border and to Tuerbat at the Sino-Soviet border.

Xinjiang began flying live sheep to the Middle East earlier in the decade, and it will soon begin flying fresh fruits and vegetables.

Later this month, the Urumqi Airport will begin offering international passenger service to Addis Ababa.

Between 1980 and the end of last month, Xinjiang concluded 28 foreign investment agreements, Zhang said.

Of these, 22 ventures involving 110 million U.S. dollars and investors from 21 countries and regions are active.

/12712

CSO: 4020/343

CHINESE MEDIA ON FOREIGN ECONOMIC AFFAIRS

COMMENTARY EXAMINES STATUS OF MACAO'S ECONOMY

HN050747 Hong Kong ZHONGGUO XINWEN SHE in Chinese 0337 GMT 4 Jun 86

[Short Commentary by Zhong Zhengxiang [6988 1794 4392]: "Macao Economy Is Developing Toward Diversification"]

[Text] Hong Kong, 4 Jun (ZHONGGUO XINWEN SHE)--In the past, Macao, a city known as the "Monte Carlo of the East" gave people the impression that it was a very small city existing due to gambling. Now, as its exports manufacturing industry has developed quickly, there has been an initial change in its image as a "casino city." It has gradually established a diversified economic structure consisting of an export-oriented manufacturing industry, tourism (including gambling), the construction and properties industry, and financial undertakings.

Macao's economy has developed very quickly. According to the statistics provided by the UN World Economic Cooperation and Development Organization, in the 10 years from 1971-1981, Macao's GNP rose by an average annual rate of 16.7 percent (Hong Kong's GNP rose by an average annual rate of 10.4 percent in the same period). It was thus one of the areas with the highest economic growth rates in the world. Over the past few years, it has maintained its high economic growth rate. The growth rates for 1983 and 1984 were respectively 10 and 9 percent. In 1984, its per capita GNP reached \$3,800. Despite the influence of the slowing down of the Western economy, its GNP still rose by 4 percent last year.

Macao's export-oriented manufacturing industry is the major sector that has contributed to Macao's economic development. During the 1950's, it had only some handicraft industries that produced matches, crackers, and incense. According to statistics, in 1957 there were 107 handicraft industrial enterprises in Macao, which employed over 14,000 workers and which turned out only a total annual industrial output value of 26 million or so patacas, a pataca is pegged to a Hong Kong dollar, but is 3 percent lower in value than Hong Kong dollar). Now there are over 1,300 factories in Macao, which exported manufactured goods worth more than 7.3 billion patacas in 1984. Last year Macao's exports of manufactured goods dropped a little but were still worth more than 7.1 patacas.

Macao's industrial production is diversifying. In the 1970's, only textile and clothing industries developed prosperously in Macao. Macao's toy, artificial silk flower, and electronics industries have risen. As a result, the proportion of exports of clothing and textiles in its total volume of exports dropped from 88.5 percent (in 1977) to about 70 percent. It has also gradually expanded its export market. It has been developing exports to the Chinese mainland, Japan, Eastern Europe, Southeast Asia, and other areas in addition to the EEC, the United States, and Hong Kong.

In Macao's current economic structure, the export-oriented manufacturing industry has become a major sector producing about 40 percent of Macao's GNP. Its tourism sector (including gambling) contributes 25 percent of its GNP. The fall in the percentage of tourism and gambling in Macao's economy to second place does not mean a depression in these areas. As a matter of fact, the number of tourists has risen year by year. In 1982, there were just over 500,000 tourists visiting Macao, but there were more than 4 million tourists in each of the past 4 years. Gambling is the main sector of Macao's tourism industry and the most important factor that attracts tourists. Its gambling sector began to develop in the Daoguang and Xianfeng reigns of the Qing Dynasty. It already has a history of over 100 years. Gambling is an undertaking that Macao is specialized in and is a characteristic of Macao's economy. The several casinos there now earn over 2 billion patacas in income a year, accounting for over 20 percent of its annual GNP. Gambling tax is one of the Macao Government's major financial sources. Over the past 2 years the Macao Tourism and Entertainment Company has paid about 450 million patacas on average a year, which accounts for more than 50 percent of the government's tax revenue. The gambling sector has boosted the development of hotels, catering, and shipping between Hong Kong and Macao. It provides jobs for nearly 10,000 people (amounting for 1/16 of Macao's employed population). Macao's economy today still cannot be freed from its dependence on its gambling industry, which will continue to exist for a long time in the future.

The construction and properties industry is the third major pillar of Macao's economy, contributing 8 percent of its GNP. Over the past few years, it has dropped from its peak, but since the latter half of 1984, it has begun to regain its impetus. Last year its growth rate reached 11 percent, the highest among all trades. This year, the utilization of the capacity of this industry and the number of construction sites are both greater than those of last year. However, there are still many industrial, commercial, and residential sites idle now.

Macao's financial undertakings have now developed quickly. In 1983, nine foreign capital banks began to operate in Macao. This pushed up the number of banks in Macao to 23. According to the statistics at the end of last September in bank deposits in Macao totalled 15,178 million patacas or 400 million dollars and bank loans totalled over 10,990 million patacas. The ratio of bank deposits to bank loans was 71.5 percent.

Macao's economy is of the self-island type. It lacks resources and raw materials and relies much on the outside world. For a period in the past, there was relatively great development in its industry, but almost all the

industry is small-scale labor-intensive processing industry and most of the products are of medium or low grades. Much of its production equipment is at the level of the 1960's and 1970's. It lacks its own product design and development departments and its workers' level of skill and knowledge is a little too low. More than 90 percent of the medium and high-level technical and management personnel have come from Hong Kong. According to factory owners' estimates, about 90 percent of factories lack manpower. The four major industries--clothing, toys, artificial silk flowers, and electronics--all find it difficult to obtain skilled labor and turnover is very high. The employees there think that their wages are too low.

However, Macao is an export-oriented area with a certain economic foundation. It has widespread international relations and conducts economic contacts and trade with over 100 countries and areas. It has become a contracting party to the "General Agreement on Tariffs and Trade," and is a subordinate organization for the "Multifiber Arrangement." It is benefitted by the "General Preferential Tariff Agreement," and more than 2,700 of its products enjoy EEC "preferential tariff" treatment. Macao is a free port with low tax rate, wage, and factory rent. In addition, it is provided with export quotas. Therefore, it has fairly great attraction to draw in investment by foreign and Hong Kong businessmen. As a matter of fact, a crucial reason why Macao's industry developed so quickly in the past was that owing to the restriction of export quotas, Hong Kong businessmen vied with one another in making investment and setting up factories in Macao. At present, over 60 percent of Macao's industrial capital is Hong Kong capital. Macao is also the third biggest market for Hong Kong's exports. The Chinese mainland is a backing for Macao. Over the past few years, the mainland's annual volume of exports to Macao amounted to about \$300 million. Macao gets its drinking water and part of its electricity from the mainland. The implementation of the open policy in the mainland is yielding an increasingly great impact on Macao's economic development and on maintaining Macao's free port status. The development of the Zhuhai Special Economic Zone near Macao also boosts Macao's economic development. Macao has already become a bridge for economic exchange between China and other countries. Because of the above factors and role, and because of Macao's own economic capacity, we can expect that after the Macao issue is solved, its economy will achieve long-term steady development.

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CSO: 4096/1076

PROVINCIAL VARIATION OF URBANIZATION IN CHINA

Beijing DILI XUEBAO [ACTA GEOGRAPHICA SINICA] in Chinese and English Vol 41, No 1, Mar 86 pp 8-21

[Text] China's cities belong to the clustered pattern, examining them by Kolmogorov-Aminov formula and the Lorenz curve. The highest density of cities and towns has happened in Shanghai municipality: 56.77 cities and towns per 10,000 km². Zhejiang and Jiangsu Provinces occupy second and third places, according to the density of urban settlements: 17.06 and 11.67 cities and towns per 10,000 km² respectively. The lowest density indexes of cities and towns are found in Xizang Autonomous Region and Qinghai: 0.08 and 0.12 respectively, the density of cities and towns is regularly reducing from East to West in China. The provincial variation of the density of cities and towns can be explained by the recession analysis of the density of cities and towns. A multiple correlation coefficient is 0.96, which was found by multiple regression analysis of the density of urban settlements with the gross industrial and agricultural output value, per capita industrial output, the index of the railway length, per rural person grain output, and population density as independent variables. These five variables can explain 92% of the provincial variation of the density of urban settlements.

Because the urbanization is measured by the proportion of urban population to the Provincial total ones, the urbanization level of these provinces with concentration of urban settlements and urban population seems to be not so high. Most

of the relatively high urbanized provinces and autonomous regions are located in Northeast, North and Northwest China, while the provinces with moderate and lower urbanization level are found in the East, Central and South provinces. Variables of population density, size of area, and industrial-agricultural output ratio, per capita industrial output, per capita agricultural output, per capita total production output can be used as for reflection of provinces' population and economic characteristics respectively. Two factors are identified by factor analysis with varimax rotation. The first factor is industrialization that measures the levels of industrialization and productivity and the second factor is population density that reflects the general population distribution characteristics of a province or an autonomous region. As these two factors are orthogonal each other, it suggests that there is not direct relationship between the industrialization level with population size or density in every province or aut. region. A multiple correlation coefficient of 0.863 has been obtained by multiple regression

analysis between urbanization level with the factor scores of industrialization level and population density as independent variables. These two factors could explain 74.5% of the provincial variation of urbanization level. The urbanization level of a province or an autonomous region is related positively with industrialization level but negatively with population density. The industrial distribution policy encourages urbanization for the less densely populated Northeast, North and Northwest provinces and autonomous regions. To a certain extent, the control of urban population discourages urbanization for the densely populated East.

There is big variation in the primacy index of the provinces in China. It ranges from 1.009 in Anhui to 10.23 in Qinghai (in 1982). The provinces and autonomous regions with high primacy index are mainly concentrated in the Northwest and Southwest regions of China, except Guangdong and Hubei provinces. The indexes of provinces and aut. regions in West China have increased since liberation, but in recent years, they have begun to fall in some provinces and autonomous regions. Most of the Northeast, East, North, and Central South provinces have moderate or low primacy indexes, which have declined since liberation. The provincial variation of the urban primacy index may be explained by the urban development history, the development potential of the primacy city in provinces, the national industrial distribution policy and different stages of the economic development of provinces and autonomous regions.

In recent years, due to practising the open policy to the outside world the policy permitting peasants to go into towns to do businesses on the basis of self food supply and other policies as well, the urbanization process has been speeded up, urban primacy index has been relatively raised in some provinces and aut. regions, and the development of small towns has been greatly made.

/9274

CSO: 4011/43

'BUY AMERICAN' MISSION PREPARES FOR U.S. VISIT

OW060439 Taipei CNA in English 0327 GMT 6 Jun 86

[Text] Taipei, 5 Jun (CNA)--The 12th "buy American" mission of the Republic of China [ROC] is scheduled to leave for the United States 23 August to purchase more than U.S.\$300 million worth of American industrial and agricultural products in 16 states and Washington, D.C., a spokesman for the Board of Foreign Trade [BOFT] said Thursday.

He said the Vincent C. Siew, BOFT director general, presided over a meeting at the BOFT in the afternoon with representatives from the Foreign Ministry, the Government Information Office, Central Trust of China, China Steel Corp., Chinese Petroleum Corp., Taiwan Power Company and bulk commodity importers participating. They discussed matters concerning the organizing of the mission and their planned purchases in the United States.

According to the spokesman the mission plans to buy more than U.S.\$200 million worth of soy beans, maize, wheat and other farm produce and more than U.S.\$70 million worth of oil and steel refinery equipment, power generation equipment and other industrial products.

Besides making purchases in California, Texas, Indiana, Kansas and 12 other states and Washington, D.C., he said, the mission will also sponsor 10 seminars in investments in the Republic of China and the United States.

He said the mission is scheduled to depart Taipei 23 August and return home 27 September. The ROC has sent 11 "buy American" missions to buy an aggregate U.S.\$7.8 million worth of American products since 1978.

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CSO: 4020/344

CBC GOVERNOR DEFENDS HANDLING OF FOREIGN EXCHANGE

OW060433 Taipei CNA in English 0332 GMT 6 Jun 86

[Text] Taipei, 5 Jun (CNA)--The Central Bank of China [CBC] is handling the nation's foreign exchange reserves properly, CBC Governor Chang Chi-cheng said Thursday. "Security, profitability and liquidity have been CBC's main considerations in handling the foreign exchange reserves," Chang stressed.

He said the foreign exchange reserves, which total over U.S.\$28.5 billion now, are deposited in some 100 foreign banks in the name of the Central Bank of China.

Chang made the remarks in answering interpellations from several legislators at a budget screening meeting of the legislative Yuan. Those foreign banks, mostly in the United States, Japan, England and West Germany are all listed among the 200 biggest banks in the free world, Chang said.

The legislators suggested that the nation use the huge foreign exchange reserves to purchase such other currencies as the Japanese yen and the Deutsche mark to prevent the possible loss caused by the drastic devaluation of the U.S. dollar. Most of the nation's foreign exchange reserves are now deposited in the foreign banks in the form of U.S. currency.

Chang said as the U.S. has been the nation's biggest trade partner, and the interest rates in the states are higher than those in other countries, the U.S. dollar will still constitute the biggest part of the nation's foreign exchange reserves.

He said the foreign exchange reserves are projected to earn the nation NT [New Taiwan] dollar 67 billion (about U.S.\$1.7 billion) in interest income and in profits from trading of bonds and stocks in fiscal 1987.

As to the management of the foreign exchange reserves, Chang said that the government is now using this money to help state-run enterprises repay their foreign debts, grant loans to the private sector for the imports of daily necessities, raw materials and machineries, and make investments in public development projects so as to help stimulate the investment willingness here.

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CSO: 4020/344

MINISTRY TO REMOVE TV, VTR IMPORT RESTRICTIONS

OW050405 Taipei CNA in English 0324 GMT 5 Jun 86

[Text] Taipei, 5 Jun (CNA)--The Ministry of Economic Affairs (MOEA) has approved the Industrial Development Bureau's (IDB) proposal to do away with export ration and local content ratio requirements for videotape recorders (VTRs) and color televisions in view of the imminent removal of import restrictions on the two products scheduled for 1 July.

The export ratio and local content ratio requirements were originally designed to protect the local VTR and color TV industries. With import restrictions lifted, such curbs become meaningless.

The import of components for color TVs will no longer be confined to the U.S. and Europe, while import duties and commodity taxes will be adjusted to reduce local manufacturers' production costs, the MOEA added.

Under current regulations, the local content ratio for VTRs and color TVs are both 55 percent, each VTR maker has its export ratio stipulations, and components for color TVs have to be sourced from Europe and the U.S.

In related news, the IDB is considering stopping protection of locally-made picture tubes for color TVs. IDB Director Hsu Kuo-an voiced the possibility at a recent meeting with picture tube makers.

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CSO: 4020/344

ECONOMIC AFFAIRS MINISTRY REPORTS ECONOMY GROWING 'STEADILY'

OW311455 Taipei CNA in English 1405 GMT 31 May 86

[Text] Taipei, 31 May (CNA)--Various statistical indexes show that the economy of the Republic of China [ROC] is steadily growing, the Ministry of Economic Affairs [MOEA] said Saturday.

The ministry noted that the ROC's two-way trade totaled U.S.\$18.8 billion in the first four months of 1986, registering a 13.2 percent increase over the same period of last year.

The overall industrial production index stood at 134.76 points during the January-April period, increasing 8.23 points compared with the like period in 1985, the MOEA said.

Judging from the trade and industrial production indexes, the ministry added, the national economy has come out of the recession which started in late 1984.

According to customs statistics, the MOEA noted, the imports of capital goods in April alone had an 11.2 percent increase over previous months, showing that the demand for machinery equipment on the part of domestic manufacturers is on the rise. This trend will be helpful to the future economic development it said.

The ministry, however, warned that the continued increase of money supply is expected to impose strong pressure on commodity price hikes because the international oil prices have declined almost to the bottom and the booming exports will further increase this nation's excessive accumulated foreign exchange reserves.

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CSO: 4020/344

EXECUTIVE YUAN SETS ECONOMIC GROWTH RATE

OW300529 Taipei CNA in English 0303 GMT 30 May 86

[Text] Taipei, 29 May (CNA)--The Executive Yuan has set the goal of annual economic growth in the Republic of China at an average of 6.5 percent until the year 2000. And it projects the per capita gross national product will climb to U.S.\$13,395 in 2000, about 330 percent higher than the U.S.\$3,142 registered in 1985.

The Yuan set the goals in a weekly cabinet meeting Thursday when it approved a plan entitled "Long-term Prospects for Economic Development in the Republic of China on Taiwan Covering the 1986-2000 Period." It was submitted by the Council for Economic Planning and Development [CEPD].

According to the long-term prospects, major goals of the economic development set for the years leading up to the year 2000 include:

--wholesale price hikes will not exceed an annual average of 3.5 percent;

--the average annual growth rates for various sectors are: agriculture, 1.5 percent; the manufacturing industry, 0.6 percent; and the service industry, 7.4 percent;

--the average annual growth rates for population, employment and laborers' productivity will be 1.1 percent, 1.9 percent and 4.5 percent respectively and the unemployment rate will not exceed 0.3 percent;

--the exports of goods and services will grow by an average 6.1 percent annually in real terms and their share in the real GNP will be lowered from 54.5 percent in 1985 to 51.6 percent; and

--the imports of goods and services will have an average 7.9 percent annual growth rate and their share in the real GNP will increase from 41.9 percent in 1985 to 51.2 percent, making exports and imports to be nearly balanced in 2000.

After the cabinet meeting, Yeh Wan-an, vice chairman of the CEPD, explained that the ROC ranked 16th among free world nations in terms of foreign trade volume last year and 11th in terms of exports. With these remarkable achievements, coupled with its geographically strategic position in the Pacific Basin, the country should have great potential to become a strong economic power in the world by the turn of the century, he said.

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CSO: 4020/344

BANKS URGE NEW TAIWAN DOLLAR DEREGULATION

OW030405 Taipei CNA in English 0306 GMT 3 Jun 86

[Text] Taipei, 2 Jun (CNA)--Domestic financial and banking specialists Monday suggested that to stabilize the whole economic formation and balanced development the government should change its policy and deregulate gradually the new Taiwan dollar's exchange rate against the U.S. dollar.

The new Taiwan dollar has been pegged to the greenback for its exchange rate with only slight fluctuations. The Central Bank of China [CBC] had intervened in the foreign exchange market to maintain the stability of the new Taiwan dollar because most of this nation's exports are quoted in the American currency, they pointed out.

The CBC action is also to help domestic traders minimize their possible losses if the exchange rate changes drastically, they noted. They said, however, the large increase of capitals in the domestic money market, resulting from the CBC's buying of the U.S. dollar on the foreign exchange market, is expected to raise inflationary pressure.

Meeting the development as well as liberalizing and internationalizing the nation's banking system, the government has revised part of its existing foreign exchange policy. Among the changes, three banks have been authorized to manage investments and trust funds in the form of foreign exchange.

For the benefit of the national economy as a whole, they said, in the long-run, more imports and investments abroad should be encouraged.

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CSO: 4020/344

BRIEFS

TEXTILE TALKS WITH U.S.--Taipei, 3 Jun (CNA)--Regarding the U.S. request that textile exports from the Republic of China, South Korea and Hong Kong over the next three years be frozen at the 1985 levels, the ROC-USA textile talks will not be held before the United States reaches agreement with South Korea and Hong Kong, respectively, Vincent C. Siew, director general of the Board of Foreign Trade, said Tuesday. He noted that the United States should not ask the ROC to be the first one to accept its request to further restrict textile exports because this nation has always been cooperative in line with the protectionist measures taken by the U.S. Government. The U.S. representatives had expressed their understanding of the basic ROC positions regarding the textile issue in the 26-28 May ROC-USA textile talks in Honolulu, Hawaii, Siew said. The second round of textile talks between the United States and South Korea is scheduled for 9-11 June and the second round USA-HK talks will be held in late June, he added. Siew said the U.S. representatives have promised that the ROC textile exports will not be subject to unilaterally discriminate quota restraints set by Washington. [Text] [Taipei CNA in English 0253 GMT 4 Jun 86 OW] /9738

'LARGE-SCALE' TARRIFF CUTS--Taipei, 1 Jun (CNA)--A ranking official with the Ministry of Economic Affairs [MOEA] has said that in view of the low investment willingness here, the MOEA has decided to discuss with the Ministry of Finance how to make large-scale tariffs cuts on the imports of raw materials so as to accelerate the nation's economic recovery. The official, who preferred anonymity, pointed out that while the nation's exports in March and April showed rapid growth with a total amount of over U.S.\$6 billion, the imports registered less than U.S.\$4 billion. The continuing expansion of foreign trade surplus will not only heighten the pressure the nation is bearing because of the increasing foreign exchange reserves but will also force foreign nations to take protectionist measures, he said. The official attributed the decrease of the volume of imports to the weakness in prices of crude oil and bulk goods in the world market and the low investment willingness in the nation. "The era of paying-attention-to-exports-only will be over soon. The government should, from now on, pay equal attention to the imports", he stressed. [Text] [Taipei CNA in English 0255 GMT 2 Jun 86 OW] /9738

JAPANESE INVESTMENT SOUGHT--Taipei, 3 Jun (CNA)--Plagued by manufacturing cost increases brought about by the strong Japanese yen, more and more Japanese companies are coming to Taiwan to inquire about local investment incentives, according to the Investment Commission, Ministry of Economic Affairs (MOEA). According to the commission, the electronics industry accounts for most of the inquiries, followed by the machinery industry, metal industry, and chemical industry. In addition to offering exhaustive replies to Japanese inquiries, the commission is also urging Japanese company representatives to visit local processing and industrial zones. Most Japanese companies are impressed with the island's diligent labor force and export incentives, and some even cancel their scheduled visits to other Asian countries, a commission spokesman added. Meanwhile, ROC trade offices stationed in Japan are inviting more companies to visit Taiwan. [Text] [Taipei CNA in English 0330 GMT 3 Jun 86 OW] /9738

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